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## Israel, Syria Halt Military Buildups In East Lebanon

**BEIRUT**—Syria and Israel halted military buildups in eastern Lebanon on Monday, easing fears of war, and some Syrian troops were reported to be withdrawing.

Elsewhere in Lebanon, Lebanese guerrillas killed three Israeli soldiers and wounded three in the central mountains, and the Palestine Liberation Organization denied a Lebanese Christian report of an attempt to assassinate the PLO's chairman, Yasser Arafat, in the Bekaa Valley.

Observers in southern Lebanon said the movement of Israeli troops and armor up to the front lines with Syria tapered off late Sunday and ended Monday.

Western reporters on the Syrian side of the 50-mile (80-kilometer) cease-fire line in the Bekaa Valley in eastern Lebanon said the Syrian armor had been thinned out and some Syrian troops had been seen heading back across the border in buses.

No pullback on the Israeli side was reported.

Western diplomatic sources said that Israel had sent three mechanized brigades, about 10,000 troops, into the southern Bekaa since Thursday.

This brought Israeli Army strength in eastern and southern Lebanon to about 35,000 troops backed by 560 tanks, 900 armored personnel carriers and 200 pieces of artillery.

The Israeli buildup over the weekend was in response to a Syrian missile attack on Israeli reconnaissance planes over Lebanon on Wednesday and Syrian military maneuvers near the Golan Heights in which Soviet advisers reportedly took part.

The Israeli military command said its two soldiers were killed when a guerrilla squad in a vehicle attacked two Israeli military vehicles with bazookas and small arms fire Sunday on a road south of Bhamdoun. It said the guerrillas escaped.

A group called the Lebanese National Resistance Front, believed to be composed of PLO allies, later claimed responsibility for the attack, in a statement broadcast by leftist Beirut radio stations.

The deaths brought to five the number of Israeli soldiers killed in a week of heightened assaults by guerrillas on Israeli troops in Lebanon. Israel invaded Lebanon in June to expel the guerrilla forces and create a security zone along the country's northern border.

**PLO Renegades Denounced**

James M. Markham of The New York Times reported from Damascus: A senior aide to Mr. Arafat vowed Monday that PLO units would "fiercely strike back" at any operations in Lebanon like the seizure of six supply depots in the Damascus area by renegades from his al-Fatah organization.

The Arafat aide, who spoke on condition that he not be identified, said that special Syrian security units had been responsible for protecting the six depots that fell into the hands of radical rebels Sunday.

"The PLO will not use arms against anyone in Damascus," said the adviser to Mr. Arafat.

However, outside Syria, the PLO will fiercely strike back against any aggression against its bases.

The warning seemed aimed at stanching any further support for the rebels, who on May 7 set off a mutiny among soldiers of the Yarmouk Brigade at a base near the Syrian border on the front facing Israeli units in the Bekaa Valley.

The Arafat aide said that a meeting of the Revolutionary Council of al-Fatah, the mainstream Palestinian group, would not take place Monday as planned and had been "indefinitely" postponed.

Meanwhile, the Palestinian news agency, Wafa, on Monday denied a claim by the right-wing Christian Phalangist radio station Voice of Lebanon, that Mr. Arafat had been the object of an unsuccessful assassination attempt in the Bekaa.

A senior Palestinian figure called the claim by the radio "utter nonsense" and said that Mr. Arafat was in Tripoli and not in the Bekaa where the purported assassination attempt took place.

The aide to Mr. Arafat disclosed that three weeks ago the Palestinian military command gave orders to its underground units operating behind Israeli lines in Lebanon to step up their attacks on Israeli forces there.

A marked rise in sabotage and ambush incidents has been notable in the past few days.



Secretary of State Shultz, flanked by foreign ministers from the other nations represented at Williamsburg, read a joint declaration Sunday on reducing the risk of war.

## Europe Missile Accord Predicted by U.S. Aide

**By Fred Hiatt**  
*Washington Post Service*

**BONN**—Secretary of Defense Casper W. Weinberger speaking Monday to a group of West German policy-makers, defended the U.S. administration's commitment to arms control.

Earlier, a senior Reagan administration official who traveled from Washington with Mr. Weinberger predicted that the Soviet Union and the United States would reach an interim agreement this fall to limit the number of medium-range nuclear missiles based in Europe.

The official said Sunday that he envisioned "an agreement" under which the United States would begin deploying its new Pershing-2 and cruise missiles in Western Europe as scheduled in December, but would restrict their number in return for Soviet reductions.

He emphasized that such an agreement could be achieved only if the Kremlin were convinced that the United States would otherwise go forward with full deployment, meaning that European allies must remain united behind full deployment.

If the United States and its allies stand firm, he said, "I think we'll have an agreement by the fall."

In an interview published Monday in a West German newspaper, Mr. Weinberger criticized former Chancellor Helmut Schmidt for doubting the Reagan administration's commitment to arms control.

His criticism of Mr. Schmidt, quoted in Die Welt, caused considerable consternation at German Foreign Policy Society meeting, which Mr. Weinberger addressed Monday evening. Mr. Weinberger said that the former chancellor's position, expressed in an earlier interview with The Washington Post, does "an extreme disservice" to the U.S. effort to reach an agreement to change positions "from Mr. Schmidt's earlier commitment to support installation of U.S. intermediate range nuclear missiles in West Germany in December."

To his remarks Monday night, Mr. Weinberger also alleged that the Soviet Union has increased its deployment of intermediate range SS-20 missiles from 351 to something "well above" that figure, possibly in the 360s. The deployment of SS-20s, many of them aimed at Western Europe, is the impetus cited by NATO for its planned and controversial basing of sophisticated nuclear weapons, 572 Pershing-2 and cruise missiles, in Europe.

Mr. Weinberger said that many of the new SS-20s have been installed east of the Ural Mountains, beyond the range of western Europe. But Mr. Weinberger said the missiles are so mobile that where they are deployed is of little consequence.

Although it is not the stated purpose of his trip to West Germany, Norway and a NATO defense minister's conference in Belgium, Mr. Weinberger is devoting considerable energy to ensuring that NATO retains the will to go forward with next winter's missile deployment.

He told a generally receptive audience at the German Foreign Policy Society that only the planned deployment of missiles has given the Soviet Union incentive to bar-

## Summit Leaders Vow to Push For an Economic Recovery

### Peace Pledge Is Set After Long Debate

**By Don Oberdorfer**  
*Washington Post Service*

**WILLIAMSBURG, Virginia**—After a spirited internal debate that lasted nearly 24 hours, the leaders of the world's leading industrial democracies pledged their full political resources Sunday night to reducing the risk of war.

They called on the Soviet Union to "contribute constructively" to negotiations to remove nuclear missiles from Europe.

Their seven-paragraph statement was made public by Secretary of State George P. Shultz about seven hours later than planned, reflecting a dispute about its tone, substance and appropriateness among the seven heads of government, who sent at least one draft back to their foreign ministers to be rewritten.

As finally approved, the declaration was more alive in its emphasis on peace and more conciliatory in its approach to the Soviet Union than most recent statements of the Western alliance.

There was no shift, however, in the established negotiating position of the alliance in nuclear arms control negotiations at Geneva.

The declaration said specifically that if the United States and the Soviet Union failed to reach agreement on limiting medium-range nuclear missiles in Europe, "the countries concerned will proceed with the planned deployment" of new U.S. Pershing-2 and cruise missiles beginning in December.

Mr. Shultz, in a news conference, called the declaration "strong, positive" and "very important," and indicated that it constituted an authoritative response to the Soviet Union's "shot across the bow" on this issue last week. He referred to the Soviet threat to put new nuclear missiles in Eastern Europe if new U.S. missiles were placed in West Germany. NATO's 1979 decision on the U.S. missiles was characterized as a response to the deployment of SS-20 medium-range missiles in European Soviet Union.

Mr. Shultz noted that this was the first security statement adopted at the annual economic summit meetings, which began in 1975. It was also Japan's strongest backing for the NATO approach in negotiations on nuclear missiles in Europe.

France's minister of external relations, Claude Cheysson, acknowledged that his delegation questioned the wisdom of issuing the declaration, told reporters, "We are not here as a super-NATO," and that the French government "did not want the first and only eyes from this summit to be on arms control."

Mr. Cheysson said the declaration did not commit the signers to any particular position in negotiations with the Soviet Union.

In the statement, the leaders of the United States, Canada, Britain, France, West Germany, Italy and Japan pledged to "maintain sufficient military strength to deter any attack, to counter any threat and to assure the peace," while adding that "our arms will never be used except in response to aggression."

They also declared, "We commit ourselves to devote our full political resources to reducing the threat of war." The main emphasis in the statement was on the search for reduction of arms and tensions through negotiations, which the leaders said they would pursue "with impetus and urgency."

A range of negotiations was mentioned, including those on nu-



President Mitterrand said goodbye to Chancellor Kohl after a breakfast meeting on Monday in Williamsburg.

## Western Leaders Doubt U.S. Recovery's Power

**By Clyde H. Farnsworth**  
*New York Times Service*

**WILLIAMSBURG, Virginia**—Leaders attending the economic summit meeting on Sunday challenged President Ronald Reagan's assurances that economic recovery in the United States is enough to bring prosperity to the rest of the world.

They insisted that their economies would remain in the doldrums unless American interest rates were lowered and the federal budget deficit reduced even more than Mr. Reagan has proposed, reporters were told at briefings led by aides of the leaders.

"There is a note in the American attitude that everything will work itself out," said a European Community official. "The Europeans fear that things will not look after themselves and that more will have to be done."

Secretary of State George P. Shultz acknowledged some of the problems in a statement he read at the conference ended its afternoon session. He said high unemployment, high interest rates, high budget deficits and rising protectionism were "matters of concern."

At the same time, "Confidence was expressed in a spirit of realistic optimism that the recovery is getting under way," he said.

Mr. Reagan had said in a number of preconference interviews that his economic recovery program was on track and that little more needed to be done to get a global recovery going.

This view was challenged during a meeting of Mr. Reagan and the leaders of Canada, Japan, Britain, France, West Germany and Italy. They met for three hours Sunday morning at the restored House of Burgesses, joined in the first hour by their foreign ministers. The discussions continued during a two-hour lunch and at a three-hour meeting Sunday afternoon.

Prime Minister Margaret Thatcher of Britain praised Mr. Reagan for progress in bringing down interest rates, although she joined others in challenging his views on the role of U.S. economic recovery officials said.

The leaders argued that high U.S. budget deficits threatened to keep interest rates high and slow economic recovery. Canadian officials said Prime Minister Pierre Elliott Trudeau also argued that cer-

### U.S. Says 7 In 'Broad' Agreement

*Compiled by Our Staff From Dispatches*

**WILLIAMSBURG, Virginia**—President Ronald Reagan and the leaders of the largest industrialized democracies represented here agreed Monday to work to reduce high unemployment and interest rates and to push for economic recovery.

The leaders called for reducing budget deficits, especially by restricting the growth of government spending.

"The industrialized democracies continue to face the challenge of ensuring that the recovery materializes and endures, in order to reverse a decade of cumulative inflation and reduce unemployment," the statement said.

The final statement was read by President Reagan to a hall of journalists and government officials. He was flanked by the leaders of France, West Germany, Italy, Canada, Japan and by Foreign Minister Francis Pym, representing Britain. Britain's prime minister, Margaret Thatcher, left the meeting earlier to resume campaigning for re-election.

After the more than three-hour morning session, Mr. Reagan said he and the other leaders had accomplished "a great deal."

"You can see how happy we look," he said.

The summit participants called for further studies of a proposal by President Francois Mitterrand of France for the convening of a world monetary conference that would be the first since World War II.

The seven nations said they were committed to halt trade protectionism and to dismantle barriers that made it hard for Third World countries to compete effectively in selling their products.

The final communique ordered the finance ministers in consultation with the head of the International Monetary Fund to define the conditions needed for improving the world monetary system.

The finance ministers were asked to "consider the part which might, in due course, be played in this process by a high-level international monetary conference."

The Reagan administration doubts that a new conference will help spur world recovery and many officials at the conference questioned whether such a meeting would take place.

In another gesture to France, the summit participants said they were willing to "undertake coordinated intervention in exchange markets in instances where it is agreed that such intervention would be helpful."

Larry M. Speakes, the deputy White House press secretary, played down reports that the leaders of Canada, Britain, France, Italy, Japan and West Germany had complained about the debilitating effect of high U.S. interest rates and budget deficits on their economies.

"I think there's understanding by the summit participants of the U.S. deficit situation," he said.

He said there was "broad agreement on most economic subjects."

Mr. Reagan has emphasized in recent days that a robust economic recovery would help alleviate many of the problems the leaders meeting here are confronting at home.

U.S. officials contend that the budget deficits, expected to run around \$200 billion this year, have no direct bearing on interest rates. But they have expressed concern

## Spain to Buy 72 U.S.-Made Jets, Trimming Back Original Order

**By Axel Krause**  
*International Herald Tribune*

**PARIS**—Prime Minister Felipe Gonzalez of Spain Monday announced that the government had decided to purchase 72 U.S.-made F-18A fighter jets for the modernization of the Spanish Air Force.

The move represented a scale-down from an earlier decision to order 84 aircraft. The planes, made by McDonnell Douglas, are due to be delivered by 1986 for a total price of more than \$2.6 billion, according to Spanish government officials.

Political observers in Madrid said that the deal would strengthen military ties between Spain and the United States, which in April approved a five-year extension of the treaty allowing four U.S. military bases in Spain.

Speaking at a Madrid news conference, Mr. Gonzalez said that cutting the original order, which was worth \$3 billion, would constitute an economy of about 50 billion pesetas, (\$360 million) which he described as "a certain saving for the government." There was no indication from the prime minister's statement whether Spain might later order the remaining 12 aircraft or more.

News reports from Madrid on Monday indicated that the decision to buy the U.S. aircraft meant that the government had definitely ruled out a "European solution," in the form of the Tornados, a multi-tire European-produced fighter-bomber, or a French-built Mirage-2000, which might be considered during a second competition for the remaining 12 aircraft.

But the reports conflicted with comments made Monday at the Paris Air Show by senior European aerospace executives, who have been monitoring Madrid developments closely. "We consider the door is still open for us," said Hans-Joachim Klapperich, managing director of Panavia, a consortium grouping Avitalia, British Aerospace and Messerschmitt-Bolkow-Blohm, which makes and sells the Tornados, which makes and sells the Tornados, which makes and sells the Tornados.

The Tornados sale package has been supported by intense lobbying by West German government and industry officials who have suggested that buying Tornados would weigh favorably in Spain's effort to join the European Community.

"If they take their military requirements seriously, we feel there is still room for a ground-to-air aircraft there and that the Tornados fits that requirement," Mr. Klapperich said in an interview. But he quickly added that it was still too early to say whether or not—or in what form—additional purchases of European or U.S. aircraft might take place.

Senior officials at Dassault-Breguet, which does not participate in the Tornados program, showed considerable irritation at the Spanish decision, saying that there would be no future purchases for

any aircraft within the next few years, including the Mirage-2000. "They have made their choice and the market is closed for us and for the Tornados," a Dassault executive said.

Hughes de L'Estoublon, Dassault's director of exports, made clear his belief that the move reflected a pro-American stance by the Spanish government. "Mr. Gonzalez is an American Socialist—and you can quote me," he told a reporter Monday.

Despite the European sales campaign, Spanish, U.S. and European sources said that the F-18As had been the choice of the Spanish Air Force from the beginning. They noted that, on Dec. 23, Spain signed a letter of intent with the Defense Department and McDonnell Douglas and made a down payment of \$8 million. The U.S. offer was due to expire Tuesday.

Nevertheless, the cutback in the numbers came as something of a blow to Lieutenant General Emilio Garcia Conde, chief of Spain's air command. "This is a day of mourning for the air force," he said, but added, "I understand the decision."

In addition, the address came on the 51st anniversary of Cuban independence from Spain, which in the Cuban perspective marked the opening of U.S. domination over the island.

Senator Goldwater's subsequent television interview, suggesting the United States would be better off with Cuba as its 51st state, also touched a raw nerve here.

The interview recalled the decisive U.S. role in Havana before Mr. Castro's 1959 revolution and the subsequent U.S.-sponsored Bay of Pigs attack that the government repeatedly cites as an example of what could happen again.

This suggestion has been reinforced recently by U.S. backing for Nicaraguan guerrillas fighting to overthrow the Sandinist government in Managua.

The Cuban government has announced no change in foreign policy, and there is no indication that it plans a direct response to the United States. At the same time, Mr. Castro has remained silent and out of public view over the past week.

But for what appears to be a combination of internal political reasons, a series of responses was set in motion. Those reasons include the periodic need to revitalize revolutionary spirit in the population and a genuine concern that the Reagan administration's rhetoric might become reality.

The first Gramma editorial, "Imperialist Hysteria," was unusually long, taking up half the front page and two-thirds of page two.

## Vogel Reports E. Berlin Seeks Improved Ties

**Reuters**

**BONN**—The East German leader, Erich Honecker, wants to improve ties with West Germany despite canceling a recent visit to Bonn, a top leader of the Social Democratic opposition said Monday.

Hans-Jochen Vogel, defeated candidate for chancellor in the March elections, met Mr. Honecker in East Berlin Sunday. He said at a press conference in Bonn that Mr. Honecker argued that recent setbacks in relations should not be allowed to interfere with their general development.

Mr. Honecker has made a series of conciliatory statements toward Bonn, but they have been accompanied by warnings against NATO's deployment of new U.S. nuclear missiles in West Germany. Mr. Honecker canceled a visit to Bonn a month ago after two West Germans died in East German custody, sparking criticism of the Communist authorities.

## INSIDE

■ To its black African neighbors, white-ruled South Africa is a focus of evil—but it is also a provider. Page 3.

■ A presidential report urging major government action to avoid potential worldwide disasters in climate, population, and resources, was attacked as "dead wrong" on every important conclusion. Page 5.

■ Arvid Peltse, the oldest member of the Soviet Politburo and the last active Soviet politician to have known Lenin personally, died at 84. Page 5.

**TOMORROW**

■ Miles Forman, the American film-maker who made his early reputation in Czechoslovakia, takes his cameras and "Amadeus" to Prague. Features.

**BUSINESS/FINANCE**

■ Boeing officials say their new 150-passenger jet (known simply as the 7-7) could be ready as early as 1988. Page 7.

## Cuba Campaigns Against 'Hysterical Allegations' by U.S.

**By Edward Cody**  
*Washington Post Service*

**HAVANA**—The Cuban government has begun a massive campaign of anti-U.S. popular mobilization, including demonstrations and calls for expansion of provincial militias, in response to what it has called "hysterical anti-Cuban allegations" by U.S. officials over the last two weeks.

The campaign began with lengthy front-page editorials last Tuesday and Wednesday in Cuba's Communist Party newspaper, Granma, denouncing a May 20 speech by President Ronald Reagan to Cuban exiles in Miami and a statement last Sunday by Senator Barry Goldwater, an Arizona Republican.

Senator Goldwater said that the Cuban problem should have been solved long ago by U.S. invasion and annexation.

Such hard-line U.S. statements have been relatively common in the Reagan administration, and heretofore largely ignored by the government of President Fidel Castro.

The Cubans have chosen a harsh public response now, according to Cuban officials, because of what they describe as a crescendo of U.S. aggression and criticism that could no longer be ignored.

Mr. Reagan's speech seems to have particularly irritated the Cuban government because it was made before Miami-based Cuban Americans who are among Mr. Castro's most vehement critics and include veterans of the unsuccessful Bay of Pigs invasion.

Carefully organized, it sought to rebut point by point President Reagan's charges concerning Cuban labor unions, foreign military involvement, economic difficulties, official participation in drug smuggling and the status of Miami's Cuban exile community.

Granma also recalled pointedly that Mr. Reagan's appearance in Miami marked the first time a U.S. president has addressed Cuban Americans there since 1962, when John F. Kennedy "received from the defeated [Bay of Pigs] invaders a flag that was not precisely covered with glory and promised to return it to Havana."

With this as background, the editorial questioned President Reagan's leadership and charged that his speech was at once an electoral maneuver aimed at Hispanic voters and a real threat to Cuba.

"The mediocre electoral spectacle of May 20, in spite of its burlesque falsetts, carries a threat that we cannot ignore," it said.

"It is not exactly lucidity and realism that dictate Ronald Reagan's conduct. Once again he demonstrated to what extremes he is ready to descend. In his hysterical arrogance, Ronald Reagan is capable of any adventure."

Referring to U.S. charges repeated by Mr. Reagan in Miami that Cuban officials have been involved in drug trafficking to the United States, the editorial added:

"It is frankly unbelievable that the president of a

country where the proliferation of social afflictions such as drug addiction, prostitution in all its forms and degenerations such as generalized pornography that would make Sodom and Gomorrah blush, should accuse Cuban officials—and by extension our government—of promoting drugs that do not need promotion in the United States."

The following day, reacting to Senator Goldwater's comments, Granma published a still more strongly worded editorial portraying the senator's reference to invasion as a reflection of Mr. Reagan's foreign policy, and therefore, as a threat to Cuba comparable to Hitler's threat to gobble up Austria before World War II.

"The very appearance of this personage from the caves in a star spot on one of the main U.S. television networks, acting as an echo to Reagan and his hysterical anti-Cuban allegations before the Miami worms, demonstrate that it is precisely these ideas that steer present U.S. policy," it said.

Taking their cue from Granma, Communist Party and government officials around the island organized mass protests.

At one rally of about 8,000 persons Friday in Holguin in eastern Cuba, the provincial party leader announced that the strength of the province's Territorial Troops Militias would double to 100,000 in reaction to Mr. Reagan's "imperialist madness."

"All the people must prepare for the war of all the people," the provincial leader said.



## State Department, Pentagon at Odds Over a Possible U.S. Switch at Geneva

By Michael Geiler

WASHINGTON — The State Department and the Pentagon are tugging in opposite directions on the complex and politically delicate question of how to change the U.S. position at the strategic arms reduction talks scheduled to resume in Geneva on June 8.

A main internal debate centers around throw-weight — how much an intercontinental missile can deliver. The Soviet Union has a big edge in throw-weight.

In general, the Pentagon wants to emphasize throw-weight in a revised proposal and to demand sharp Soviet cuts leading to eventual equality. The State Department wants to place somewhat less emphasis on it.

How the differences over throw-weight and other issues are resolved could have an important impact on Capitol Hill. A number of Democrats and moderate Republicans in Congress supported the MX missile in the expectation that

the U.S. proposal would become more negotiable, and that both nations would move toward less dangerous nuclear weapons than the 10-warhead MX and its Soviet counterparts.

Officials said they expect these differences, or at least some of them, to be resolved at a meeting with Mr. Reagan and the National Security Council scheduled for June 7. The president undoubtedly will have to consider not just the strategic merits of the competing positions, but the likely impact of his decision on the bipartisanship he has tried to build in Congress on arms issues.

A vague but potentially more explosive problem could be developing for Mr. Reagan in West Germany, where there is interest in an informal plan worked out last year during a now-famous "walk in the woods" by U.S. and Soviet negotiators at the parallel talks in Geneva on intermediate-range nuclear missiles in Europe.

That proposal would have eliminated the U.S. Pershing-2 missiles

that NATO is scheduled to begin deploying in West Germany in December, and left only the less-controversial cruise missiles to be deployed in several Western European countries. It was rejected by both governments at the time, and Mr. Reagan ruled it out again last Thursday.

However, former Chancellor Helmut Schmidt of West Germany said last week that he found the walk-in-the-woods formula acceptable.

The Reagan administration agreed last month to alter its proposal for the strategic arms reduction talks based on the recommendation of a bipartisan commission headed by Brent Scowcroft, a retired Air Force lieutenant general and former national security adviser.

The commission recommended what Mr. Reagan wanted most — deployment of 100 MX missiles — but it also called for U.S. development of a small, mobile, single-warhead intercontinental missile, and for changes that could lead to

a shift by both sides to smaller missiles.

The current U.S. proposal, submitted a year ago, calls for both sides to reduce the number of individual missile warheads by about a third to 5,000 each, and the number of land and submarine missiles to 850. The Russians have about 2,350 missiles and the United States about 1,600.

The proposal also includes limits on the highest Soviet missiles, the SS-17, 18 and 19, so that there could be only 210 of all three types combined. This would constitute an indirect limit on Soviet throw-weight.

The U.S. proposal, however, also has a second phase to be negotiated after an initial agreement. This calls for much steeper cuts in Soviet throw-weight until both sides have equal amounts.

There is now the possibility that a new U.S. proposal will call for only one phase and in that case the Pentagon wants throw-weight equality emphasized. The Soviet missiles now have about two and a half times as much collective throw-weight as the United States and many in the State Department believe it to be too big a disparity to expect the Kremlin to accept.

The State Department favors retaining the existing limits proposed for the biggest Soviet missiles as an indirect measure of throw-weight. There seems to be agreement that the 5,000-warhead ceiling should be retained, but there is argument over the 850-missile ceiling.

The State Department wants to increase it, reportedly to 1,100 to 1,200 missiles. This would make room for the small missiles recommended by Mr. Scowcroft, and it would also move closer to a Soviet proposal that calls for roughly 1,800 strategic missiles and bombers on both sides.

Although the joint chiefs reportedly favor the 850-missile ceiling, civilians at the Pentagon want to focus instead on a combination of warheads and throw-weight.

## New Soviet Warning on Missiles To Be Discussed at NATO Talks

BRUSSELS — Defense ministers of the North Atlantic Treaty Organization's European members will discuss the Kremlin's latest warning on nuclear missiles when they meet Tuesday a day ahead of a full alliance discussion on East-West issues, diplomats said.

The full meeting of NATO defense ministers Wednesday is expected to strongly condemn Moscow's statement that it would retaliate against deployment of U.S. medium-range missiles in Western Europe, with additional deployments of their own, they added.

"We are obviously disappointed that the Soviets are intensifying their threats instead of taking the talks in Geneva more seriously," a diplomat said.

The European ministers will issue their own statement on a number of security issues, and the full meeting will reaffirm the 1979 decision to install 572 U.S. nuclear missiles in Europe beginning in December unless the Russians agree to dismantle SS-20 missiles deployed on Soviet territory in recent years.

The full meeting will also discuss increasing NATO's conventional deterrence. The Americans are expected to have problems persuading the Europeans to provide more reservists to support U.S. troops in Western Europe.

The United States wants the European members to increase their military spending and provide more soldiers to replace American troops who might be sent to an area outside the North Atlantic alliance, such as the Gulf.

In addition, the United States has been asking the Europeans to guarantee the use of bases and fueling in such an occurrence, which the Europeans have been hesitant to give.

"The Europeans don't want to

sign a blank check giving the U.S. unlimited help in a conflict with which they might not agree," a U.S. official said.

The European ministers are likely to reaffirm in principle a commitment to increase defense spending by 3 percent per country despite the current inability of about a third of the countries to do so, the diplomats said.

"The 3 percent is more of an aspiration than a firm commitment," a senior European diplomat said.

Another issue that will figure prominently in the NATO meetings is how to apply new technology to NATO's needs. A report will

be presented on the use of electronic warfare as a nonnuclear deterrent to Soviet conventional forces.

The techniques involve electromagnetic means of collecting information and stopping weapons, sensors to detect the enemy's movements, and jamming of enemy communications, according to Dr. Vitaliy Garbar, NATO assistant secretary-general for defense support, who will present the report.

Other issues likely to be discussed are East-West trade and its relation to the sale of sensitive technology. Poland and Afghanistan will figure informally in the meetings.

## Relations With Tehran Leaders Vow Discussed at Summit Recovery

By William Drozdiak

WILLIAMSBURG, Virginia — Foreign ministers at the economic summit have agreed that they should seek ways to reciprocate Iran's recent overtures to improve relations with the West.

In dinner conversations Saturday night, the seven foreign ministers concluded that Iran has embarked on a campaign aimed at breaking its isolation as a diplomatic pariah.

Several of the ministers reported being approached in recent months by Iranian envoys carrying conciliatory messages seeking enhanced trade and political contacts. They agreed that such approaches should be encouraged in order to nudge the Tehran government toward moderation and, in particular, to thwart chances that it could fall under the influence of the Soviet Union.

Britain and the United States apparently have not been included in the recent courtship.

Foreign Minister Hans-Dietrich Genscher of West Germany said Iran's ambassador to Bonn, Mostafa Navab, asked for a special meeting last week in which he emphasized his country's strong desire to bolster cooperation in political, economic and cultural fields.

Canadian delegates revealed that in recent months they have been approached by Iranian officials with the possibility of reopening an embassy in Tehran. The Canadian Embassy was shut down after its staff managed to smuggle several U.S. diplomats out of Iran after hiding them in the embassy for several months during the 444-day hostage crisis.

France also reported beginning consultations with Iran in hopes of improving relations.

(Continued from Page 1)

about the effect of high deficits in future years.

The European leaders, however, have made a direct link between the red ink and high interest rates. They say the interest rates are keeping pressure on the dollar in comparison with other major currencies.

A strong dollar means oil and other commodities are more expensive to foreign buyers because those products are priced in dollars.

The draft of the final declaration, according to United Press International, said this on other points:

• **MONETARY POLICY:** A call for "disciplined noninflationary growth" of money supplies and "appropriate" interest rates.

France has an inflation rate of 9.7 percent and fully has an inflation rate of 16.4 percent.

• **EXCHANGE RATES:** A call to "improve consultations" and work toward closer "convergence" of economic policies to tame widely fluctuating exchange rates between currencies. The draft annex stopped short of any explicit commitment for an international monetary conference, such as Mr. Mitterrand has suggested.

The French franc hit a new low against the dollar as the final session was being held.

• **PRODUCTIVITY AND EMPLOYMENT:** The draft pledged to enhance the "flexibility and openness" of the seven economies in financial markets, to encourage research and development and productive investment, and to increase cooperation on "structural" economic problems involving energy, regions and different industries. The nations together have 22 million unemployed workers.

• **COORDINATION:** "We shall continue to assess together regularly in this framework the progress we are making, consider any corrective action which may be necessary from time to time and react promptly to significant changes."

In language still being polished Monday morning, the summit participants also agreed that help for the Third World was essentially linked with free trade, and that the nations should work to halt any protectionist tendencies and, in the future, work to roll back existing tariff barriers.

The summit conference offered little immediate hope to developing countries that together owe the West more than \$600 billion in debts that they are finding it harder than ever to repay.

"We view with concern the international financial situation and especially the debt burdens of many developing countries," the statement said.

The seven said they would work for a strategy based on effective policies within the Third World, adequate private and official financing, more open markets and worldwide economic recovery.

But there was no promise of the huge infusion of aid funds sought by Asian, African and Latin American governments.



Kim Young Sam on Monday, when he refused South Korea's offer to free him from house arrest.

## Seoul Dissident Vows To Continue His Fast

SEOUL — Kim Young Sam, a former opposition party leader, rejected government offers Monday to free him from house arrest and vowed to continue a hunger strike that he began May 18 to demand political reforms in South Korea.

Mr. Kim, 55, who led the defunct New Democratic Party, said he would continue his struggle for democracy as long as he "remains conscious." He was taken to a hospital on Wednesday by police in an attempt to forcibly end his fast, but one of his aides said that he has refused all medication. The aide said Mr. Kim lost 24 pounds (11 kilograms) since he began his hunger strike and that "he complains about intestinal pain and cannot walk on his own."

The government freed Mr. Kim from house arrest as of midnight Sunday, allowing him to travel at home and abroad freely. The aide said that Mr. Kim "has no intention of making an overseas trip under the present circumstances under which our freedom is curtailed and many people are exposed to sufferings."

Mr. Kim, who in 1980 was banned from politics until 1988, is demanding the release of political prisoners, reinstatement of blacklisted politicians, university professors and students and the removal of restrictions on press freedoms. He is also demanding the revision of the nation's constitution to allow the election of the president by popular vote.

## Party Likely to Assail Jaruzelski on Policies

By David Storey

WARSAW — General Wojciech Jaruzelski, the leader of Poland's Communist Party, is expected to face strong criticism of party policies during a long-delayed plenary session of the party Central Committee on Tuesday, Western diplomats said Monday.

Factional divisions are expected to arise at the meeting as the party tries to re-establish its grip on society after labor uprisals and a year of military rule.

The session will follow attacks in the Soviet press on the more liberal wing of the Polish party. The diplomats interpreted that criticism as a warning to General Jaruzelski to act against those who oppose more orthodox Communist control.

They said it now appeared that the session would not result in a major personnel shake-up, as had earlier been expected, but that there could be some changes.

The Soviet articles have been interpreted as a sign of the Kremlin's dissatisfaction with General Jaruzelski's efforts to impose tighter political control and with the poor results of his reform program intended to revive Poland's economy.

The diplomats said General Jaruzelski's opponents would feel encouraged to criticize his policies, in particular the failure to stop street rallies and other forms of opposition by supporters of the banned Solidarity labor union movement.

Sources have said the Polish authorities were upset by a meeting earlier this month between Lech Walesa, the former leader of Solidarity, and representatives of other autonomous unions that are also outlawed under martial law.

The meeting, and a subsequent joint statement calling for a return to union pluralism, was a major blow against the new government-sponsored unions now being established in place of the old structures.

The diplomats expected the party meeting to condemn this concept of pluralism, and to issue the usual attacks on Solidarity's supporters and Western countries, particularly the United States, accusing them of stirring up trouble in Poland.

One prominent figure who will be absent Tuesday is Kazimierz Barcikowski, one of the longest-serving Politburo members and a close ally of General Jaruzelski. He is in a hospital recovering from a heart attack.

His absence is expected to affect the balance in the party ranks, especially because he is normally responsible for party organization.

The authorities have taken a much harder line against Mr. Walesa since the May 6 meeting with other union leaders, who had together represented the majority of Polish workers.

Mr. Walesa was questioned again by police Monday, the third time in four days, about his relations with the Committee for Workers' Self-Defense, the diss-

## WORLD BRIEFS

### Thatcher's Foes Assail Summit

LONDON (UPI) — "Nothing happened at Williamsburg insofar as the world economy is concerned except a slight mutual congratulation session when there was nothing to congratulate anybody about," charged the Social Democratic alliance's leader, Roy Jenkins, Monday in an attempt to deflate any political capital Prime Minister Margaret Thatcher might gain from her trip to the United States.

"Mrs. Thatcher went to that summit conference representing a government that has the worst record on unemployment than any of the others there," added the Labor leader, Michael Foot. "Apparently she did nothing to try and get a change in that policy."

The opposition pressed their attack as Mrs. Thatcher increased her already formidable lead in the opinion polls with only 10 days to go before the general election.

### CIA Study Sees No Soviet Collapse

WASHINGTON (AP) — The Soviet economy will probably have a low growth rate throughout the 1980s but will not be in danger of collapsing, according to a CIA analysis released Monday. An agency report, prepared for the congressional Joint Economic Committee, said that it was unlikely that the Kremlin would undertake radical reforms.

"The Soviet economy, despite its monstrous inefficiencies and irrationalities, grinds on," the agency analysis said. "It does not face collapse or a precipitate decline." It also cautioned that efforts to exert pressure on Moscow by using trade embargoes or other economic sanctions "run the risk of boomeranging" because of potential serious damage to the West's economic interests.

Some U.S. officials have suggested that major economic setbacks, combined with ethnic-group tensions and other social problems, could lead to a collapse of the Soviet system. However, the CIA study concluded that "Soviet economic prospects do not look so bleak that drastic systemic changes seem inevitable."

### Afghans Report Attack on Base

ISLAMABAD, Pakistan (AP) — Muslim rebels claimed Monday to have attacked a major military air base west of Kabul, destroying two helicopters and killing 21 government and Soviet troops.

The claims, which could not be confirmed by independent sources, would make it the fifth guerrilla assault on Jalalabad airport in the past year.

Resistance sources said guerrillas, equipped with mortars and rocket launchers, mounted the offensive Wednesday and knocked out two helicopters parked on the runway. Four Russians were among those killed, the sources said.

### Greeks Protest Labor Legislation

ATHENS (AP) — Greek workers staged strikes and demonstrations Monday against legislation that, they say, will severely curtail the right to strike.

More than 30,000 bank employees stayed off the job for the third straight working day to protest the Socialist government's legislation, expected to pass in Parliament Monday night. They were joined by transportation, construction and public power employees in Athens and 10,000 workers in the Piraeus harbor. In Salonica, about 10,000 strikers marched to the Ministry of Northern Greece and presented a resolution demanding that the legislation be withdrawn.

The bill applies the government's policy of socialization, or worker participation in management, and decision-making to the public sector. But it also rules that public sector strikes must be approved by an overall majority of union members in a secret ballot. Labor unions say the measure would curb the freedom to strike, but the government says it would make labor strikes more democratic.

### Protestants Boycott Irish Talks

DUBLIN (Combined Dispatches) — Political leaders from both parts of Ireland began an initiative Monday to try to solve the problem of Irish unity, but a boycott by Northern Ireland Protestants appeared to doom its prospects.

The New Ireland Forum brought together the three main parties of the republic and the Social Democratic and Labor Party, which is mainly Catholic, of the British-ruled north. The forum plans to draft a plan for a united, independent Ireland, which will be put to the British government. Participants hope the Protestants will make their views known through private submissions.

### Former Nazi Describes Massacre

BERLIN (AP) — A former SS officer who had lived undetected in East Germany for more than 35 years confessed in a book Monday that he had led French villagers and shot them in one of the most notorious Nazi massacres of World War II.

Testifying about the June 10, 1944, massacre at Oradour-sur-Glane, Heinz Barth, 62, broke down several times as he described shooting 20 men with two bursts from his machine pistol. "We aimed at their chests," he told the East Berlin court on the fourth day of his trial.

The former SS lieutenant who lost a leg in the battle at Normandy could be sentenced to death before a firing squad if convicted. The indictment says 642 villagers were killed that day, among them 203 children, and 320 houses were burned.

### More Activists Leave E. Germany

LUDWIGSBURG, West Germany (From Combined Dispatches) — East Germany has expelled six anti-nuclear activists to the West, making a total of 20 people expelled for peace protests in the last two weeks, the Bavarian border police said Monday.

The police said members of the group confirmed that they had been ordered to leave the country because of activities in the unsanctioned peace movement based in Jena. Police at Ludwigsburg, 80 miles (128 kilometers) north of Nuremberg, said six persons from Jena crossed the border into West Germany during the weekend.

The six said they were expelled because of their membership in the Jena peace group, 14 of whose members were expelled for staging unofficial peace protests against the nuclear weapons of both the West and East. There have been some conflicting reports on the total number expelled recently, and it was not immediately clear on why the numbers did not conform.

### Salvador Rebels Invade Key Town

SAN SALVADOR (UPI) — Leftist guerrillas battled their way into a strategic town in the northeastern province of Morazan Monday and military officials feared a heavy loss of life.

A rebel force of undetermined size stormed the town of Jocoico, severing all communications, military officers in the area said. They said 500 government troops were being rushed to Jocoico, 79 miles (127 kilometers) east of San Salvador on a key highway that leads to the Honduran border.

Officers did not know the size of the local garrison, but said they feared security forces had been killed, wounded or captured.

### 2 New Quakes Jolt Japanese Area

TOKYO (UPI) — Two new earthquakes jolted the Pacific coast of northern Japan Monday morning, five days after a devastating quake and ensuing tidal waves killed at least 56 persons and left 46 missing.

A National Police Agency spokesman said the agency had not received any reports of casualties or property damage, but called the new tremors potentially destructive. No tidal wave warning was issued.

The first tremor, measuring 5.8 on the Richter scale, hit the Tokachi area off the northern island of Hokkaido at 5:54 A.M., the official said. It was followed by another that struck the Aomori district in northern Honshu, Japan's main island, at 7:02 A.M.

### For the Record

WARSAW (AP) — A military court has sentenced an émigré dissident to death on charges of spying for the United States, the official PAP press agency said Sunday. Zydzislaw Najder, who now heads the Polish department of Radio Free Europe in Munich, was sentenced Saturday in absentia 17 months after he legally left Poland.

PARIS (Reuters) — The Revolutionary Caribbean Alliance, a previously unknown group, claimed responsibility Monday for three bombings in French Guiana in which one person died, French radio said.

BANGUI, Central African Republic (AP) — The former emperor, Jean-Bedel Bokassa, has been seriously ill in his exile home in Abidjan, Ivory Coast, a high-ranking French official disclosed Sunday.

BRUSSELS (Reuters) — The secretary-general of the North Atlantic Treaty Organization, Joseph Luns, 71, is expected to retire at the end of the year and a likely successor would be Lord Carrington, the former British foreign secretary, NATO sources said Monday.

## Allies Pledge Major Effort On Reducing Risk of War

(Continued from Page 1)

clear weapons, chemical weapons and conventional forces in Europe. Stressing the Geneva negotiations on limiting or banning medium-range nuclear missiles in Europe, the leaders said, "We call upon the Soviet Union to contribute constructively to the success of the negotiations."

The statement warned the Russians that they would fail in at-

tempts to avoid serious negotiations by influencing Western public opinion over the issue of British and French nuclear weapons. While saying these weapons have no place in negotiations on medium-range missiles in Europe, the statement did not foreclose bargaining on them in other talks.

The difficulty experienced by the leaders and their foreign ministers in composing and approving the statement underscored political differences among them on issues of war, peace and East-West negotiations.

Diplomatic sources said the most strongly contested section of the declaration was: "Our nations express the strong wish that a balanced INF (medium-range nuclear missiles) agreement be reached shortly. Should this occur, the negotiations will determine the level of deployment."

Some nations, especially the United States and Britain, preferred more emphasis on the requirement for deployment, while Canada preferred more emphasis on avoiding or minimizing the deployment through negotiations, according to the sources.

### Soviet A-Blast Reported

UPPSALA, Sweden — An underground nuclear explosion in the Semipalatinsk area of Eastern Kazakhstan in the Soviet Union was registered Monday by the Seismological Institute of Uppsala University.

## Missile Pact Is Predicted

(Continued from Page 1)

gain for arms reductions. Mr. Weinberger adopted a reassuring tone, however, promising his audience of cabinet ministers, former ministers and other dignitaries that Mr. Reagan "is personally and deeply committed to reducing our nuclear weapons." He twice departed from his prepared text to promise that the U.S. is not seeking nuclear "superiority."

Nonetheless, he faced a number of skeptical questions about Mr. Reagan's commitment to arms control, about the president's harsh rhetoric, and about Mr. Weinberger's own past statements about fighting "a protracted nuclear war." He was also asked about Mr. Schmidt's suggestion that the United States is not truly committed to arms control negotiations.

In his newspaper interview, Mr. Weinberger called that suggestion "absolutely incredible." Monday night he avoided any challenge to Mr. Schmidt. "I would be very hopeful that that was a misquotation," he said. But he reiterated the administration's commitment to arms reductions.

"There is nothing whatever to the suggestion that we have been insincere or laggard or indeed ineffective in our proposals," Mr. Weinberger said.

In a related matter, Mr. Weinberger said the Soviet Union has responded favorably to Mr. Reagan's proposal to improve the quality of the "hot line" communications link between Washington and Moscow.

However, the Kremlin does not seem interested, Mr. Weinberger said, in other "confidence-building" measures that Mr. Reagan proposed recently to reduce the possibility of accidental nuclear war. Those proposals included cooperation against terrorist activities, regular meetings between Soviet and U.S. military officers and increased diplomatic links.

"Their basic response to that was they thought what we had was a pretty good system," Mr. Weinberger said.

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## An Odd Couple in Southern Africa

### Black-Ruled Mozambique Still Relies on Pretoria

By Alan Cowell  
New York Times Service

MAPUTO, Mozambique — In the view of Mozambique and other black-ruled African nations in this region, white-ruled South Africa is a focus of evil, a government that preys on its neighbors' frailties.

But the relationship is more than that, for the demon is also a kind of provider.

A history of colonial dependence has left Mozambique heavily reliant on a neighbor whose policies of racial separation it abhors but whose military and economic strength cannot be ignored.

The electricity here, for instance, comes from South Africa, so that, should Pretoria wish it, this city and its faltering industries could be brought to a halt.

Figures are not published, but it is generally acknowledged that South Africa is Mozambique's biggest commercial partner.

About 40,000 Mozambicans work in South African mines, and hundreds of thousands more hold down menial illegal jobs, providing a source of hard currency.

The Cahora Bassa Dam in northern Mozambique feeds electricity to South Africa and to the country in which it is situated. The dam supplied about 9 percent of South Africa's electricity in 1978; in 1979, the sale of electricity brought about \$50 million to Maputo.

Of the trade that passes through the port here, half is South African, underscoring Mozambique's traditional role as a distribution center for a hinterland dependent on the good will or poor fortune of others.

The relationship between the two countries is complex, for mutual political antipathy is translated on the ground into backing for each other's armed enemies.

Mozambique, a senior official said, will not, for instance, abandon its support of the African National Congress, the most promi-

nent movement fighting South Africa's apartheid system of racial separation. Yet the consequences of its commitment are implacable.

East week, South African planes swept over Maputo in a reprisal raid following a car bombing in Pretoria for which the ANC claimed responsibility. The message was clear: Mozambique is vulnerable, and South Africa can, with impunity, invade and disrupt and destroy.

The Pretoria attack, and its retaliation, followed several months during which the uneasy neighbors had sought to establish a relationship that, if not intimate, at least averted a blossoming of conflict that could involve other powers.

The United States is said by well-placed officials here to have encouraged the overtures between the two nations, which began last December when ministers from the two sides met.

They met again at the same place in early May, and Mozambican officials have made clear that, despite the air raid, they would attend another meeting.

The bargain that is sought, and which coincides with the Reagan administration's public quest for a broad reduction of tension in this area, seems clear.

South Africa, seeking a nonaggression pact, wants Mozambique to block the transit corridor that enables ANC units to infiltrate through Mozambique and Swaziland into South Africa.

Mozambique, in turn, wants South Africa to withdraw its evident — if often denied — backing for the Mozambique National Resistance, a group of as many as 12,000 rebellious Mozambicans that is causing havoc in many areas of the country.

Mozambique could be ruined by South Africa, and that appears to be the reason that its leaders have sought to disperse concentrations of ANC personnel in its capital

and have moved some of them to the northern province of Nampula. Mozambique, too, appears to have adopted a view whereby South Africa, as an independent nation, cannot be placed in the same category as, say, Zimbabwe.

When Zimbabwe was still Rhodesia, the Maputo authorities openly supported, and Mozambicans fought in, a guerrilla war against the white-minority colonial regime there.

Thus, it is ideologically possible for Mozambique to argue that South Africa's iniquities are a matter for internal resolution, not overthrow from without.

In the Mozambican point of view, South Africa's own attitude to the authorities here is not without ambiguity. The activities of the resistance movement, which have led to conditions in some provinces said to resemble anarchy, have brought great instability and a challenge to the government of President Samora Machel.

Yet, a senior official said, South Africa does not seem to perceive an interest in engineering its overthrow.

"It makes more sense for South Africa to have an unstable Marxist regime on its borders," said the Mozambican official, "than to topple Machel and replace him with a client state that would cost a lot to support."

So far, President Machel has not called on his Soviet and Cuban allies for aid against the South Africans, and there is a strong feeling among Western diplomats and Mozambican officials here that he is loath to do so.

He has called in Tanzanian training troops, and more than 1,000 Zimbabwean soldiers are guarding an oil pipeline and a road in the north. But his message has been that support from non-African countries will not be invoked unless there is a direct South African invasion.



Gerald Andreas Eckert

## Army Officer Defects in South Africa

The Associated Press

MAPUTO, Mozambique — A lieutenant in the South African Army has defected to Mozambique because he opposed the race separation policies of the white-minority government, Mozambique's official news agency said Monday.

The news agency, AIM, said Lieutenant Gerald Andreas Eckert, 24, a draftsman who was serving in the medical corps, abandoned his car near the border Friday night, crossed a fence and was picked up by a border patrol Saturday morning.

The agency said the government was considering his request for political asylum.

A South African Defense Force spokesman said only that the report was under investigation.

Lieutenant Eckert was born in Mannheim, West Germany, and his parents emigrated to South Africa when he was 7, AIM said.

Quoting a source in the Information Ministry, the agency said Lieutenant Eckert told Mozambican officials that he fled "to show that there are also whites inside the South African armed forces who do not agree with apartheid."

A week ago, South African jet fighters raided suspected bases in Mozambique of the African National Congress, which is trying to overthrow the South African government. The raid was in retaliation for a car bomb set off May 20 by the ANC in Pretoria, which killed 19 persons and wounded 216.

The bill would authorize the CIA director to designate certain files as exempt from search, review, publication or disclosure. Presumably, his determinations could be challenged and reviewed in court.

To qualify for an exemption, the file must be situated in one of three branches of the agency: the Directorate of Operations, the Directorate for Science and Technology or the Office of Security. Under the bill, a file could be exempted if it dealt with one of four topics:

- Scientific and technical means of collecting intelligence.
- Foreign intelligence and counterintelligence operations.
- Background investigations of potential informers.
- Liaison arrangements with foreign governments.

Information derived from the exempt files and distributed to other parts of the agency has no special protection. In addition, the agency may be required to search its operational files for information about covert activities whose existence has already been confirmed by the government.

The Aouzou region is being used as a base of operations by the former Chadian provisional president, Goukouni Oueddei, against his civil war opponent, Hissene Habré, now president of Chad. The defectors said Libya had sent eight Soviet-built Sukhoi bombers and other planes to Aouzou.

## Enders Blamed for Management Role

New York Times Service

WILLIAMSBURG, Virginia — President Ronald Reagan removed Thomas O. Enders as the chief State Department officer on Latin American affairs because of frustration that administration policies were being poorly managed and badly promoted in Congress, according to administration officials.

The officials asserted Sunday that "policy implementation, rather than the policies themselves, was at issue in Mr. Reagan's decision to reassign Mr. Enders, the assistant secretary of state for inter-American affairs, but one key senior official acknowledged that Mr. Enders had run afoul of the White House because of policy differences earlier in the year.

Secretary of State George P. Shultz announced Friday that Mr. Enders was being moved to an ambassadorial post and replaced with Langhorne A. Motley, the U.S. envoy to Brazil.

U.S. officials also said that Mr. Reagan's plan to replace Deane R. Hinton as ambassador to El Salvador was not because of policy or management differences. It was reported over the weekend that Mr. Hinton was to be replaced with Gerald E. Thomas, currently the ambassador to Guyana.

But some officials have said recently that Mr. Hinton had also been ineffective in presenting the administration's case on television. Others said he had embarrassed the White House by saying that rightist "death squads" were as much a threat to the Salvadoran government as leftist insurgents.

In San Salvador, Mr. Hinton said he had no comment on reports that he was to be replaced.

Mr. Thomas, a retired navy admiral who was described as having been one of the highest ranking blacks in the navy, was also said to be an old friend of William P. Clark, the White House national security adviser, and Admiral John Poindexter, Mr. Clark's chief military adviser.

Mr. Motley is also a longtime acquaintance of Mr. Reagan's aides. Some administration officials thus described both changes as part of an attempt by the president to have people he knows and trusts personally carry out a set of policies that have become a matter of controversy.

Although one key senior official said that Mr. Enders' departure did not signal any shift in policy on El Salvador, he said that Mr. Enders had recommended that the administration give more consideration to seeking a negotiated settlement in El Salvador between the government and the insurgents there. He said that Mr. Enders leaned toward "power sharing" with the rebels, whereas Mr. Clark believed "you can't share power with Marxist-Leninists because they end up taking power instead of sharing it."

A senior administration official said that Mr. Enders "came back off" the power-sharing approach but that this view had been an element in the president's decision to remove him.

A White House official said that it had become obvious in recent months that Mr. Clark and not Mr. Enders or Mr. Shultz had become responsible for the day-to-day operation of policy for Central America. He said this had become clear as the military situation in El Salvador deteriorated, thus demanding more of the president's attention and as the administration had decided to seek congressional approval of increased military aid to El Salvador.

A senior official said that Mr. Enders was "a loner" who had failed to surround himself with strong deputies and had failed to

months of Jeanne J. Kirkpatrick, the representative to the United Nations. An official said that Mrs. Kirkpatrick had complained frequently about being frozen out of policy at the State Department and had even offered to resign last December.

Her opinions were said to be highly respected by both Mr. Clark and Mr. Reagan, and it was they who decided to send her on a special mission to Central America in February to assess the situation there. After her trip, Mr. Reagan decided to seek congressional approval of increased military aid to El Salvador.

A senior official said that Mr. Enders was "a loner" who had failed to surround himself with strong deputies and had failed to

the administration's problems in Congress. He said that Mr. Enders had a somewhat distant, reserved style that did not lend itself to putting across the administration's policies in public.

But another official, defying Mr. Enders, said that he had been successful in winning approval of both economic and military aid for El Salvador in Congress and that he took particular satisfaction in winning broad support in Congress for the administration's billion-dollar Caribbean Basin initiative.

Mr. Enders is expected to be named ambassador to Spain, a job that would take him out of policymaking on Latin America. Mr. Enders is a career State Department official and former ambassador to Canada.

## Ministers Said to Make Progress On Central America Peace Talks

By Juan De Onis

International Herald Tribune

PANAMA CITY — Five Central American foreign ministers, with the encouragement of Latin American mediators, have reportedly made some progress in discussions here since Saturday on how to avoid armed conflict between Nicaragua and Honduras.

The mediators, the foreign ministers of Mexico, Venezuela, Colombia and Panama, form the so-called Contadora Group that is trying to achieve a Latin American formula that will pacify Central America in a way acceptable to the United States and Cuba.

The meeting, which has been in closed sessions, was to end last Monday. Conference sources said there had been some progress and that there would probably be a joint statement.

President Ricardo de la Espriella of Panama said the fact that the foreign ministers of Nicaragua and Honduras were talking together showed good will.

But the discussions were taking place as an increasingly hard line by the Reagan administration on Central America evolved. Reports from Washington last week spoke of Soviet arms shipments arriving at the Nicaraguan port of Corinto and of U.S. plans to open a military training center in Honduras for thousands of Salvadoran Army recruits.

In a brief comment outside the meeting, Nicaragua's foreign minister, Miguel d'Escoto, said the reports of new Soviet intervention were "the same old propaganda we have heard so often." But he did not deny that the Soviet ships were carrying arms.

The Contadora Group effort seemed to observers to be a race against time to establish an effective agreement between Nicaragua and its neighbors, Honduras to the north and Costa Rica to the south, that will halt operations from those countries of anti-Sandinist guerrillas backed covertly by the United States.

But as a condition for this, El Salvador and Honduras are insisting that Nicaragua desist from supplying the powerful guerrilla groups in El Salvador and use its influence to bring about a political agreement based on elections. Guatemala is also taking part in the talks.

Prime Minister Felipe González of Spain was due to arrive in Colombia on Tuesday on the first stop of a visit to the Contadora countries.

In an interview published Monday by El Espectador of Bogotá, he reportedly said: "I think the Contadora Group would be reinforced in its action if it had the support of Western European governments. I am willing to do whatever they ask of me that could remove Central America from an East-West confrontation."

The Contadora effort also received encouragement from Representative William V. Alexander, an Arkansas Democrat, who is chief deputy majority whip. Mr. Alexander met with the foreign ministers of Mexico, Colombia and Panama while in Panama and said a Contadora proposal for pacification of Central America would be given serious consideration by the U.S. Congress.

Victor C. Johnson, the chief staff member of the House Inter-Ameri-

can Affairs subcommittee, was also in Panama and conveyed a message of support to the Contadora delegations.

The Contadora effort began in January, with the first meeting of foreign ministers on Panama's Contadora Island, after President Belisario Betancur of Colombia visited the presidents of Venezuela, Mexico and Panama and proposed a joint mediation action.

From the start, the group has said it could not succeed unless the United States responded constructively to the initiative.

President Ronald Reagan said in a speech to a joint session of Congress on Central America early this month that the United States welcomed Contadora's pacifying intentions.

But U.S. actions, such as the new training base in Honduras, go against the desire of the group to reduce external arms and advisers in the region.

**Europe-Wide TV Is Urged for EC**

Reuters

BRUSSELS — The Executive Commission of the European Community called Monday for the establishment of a European television system to provide multilingual broadcasts for an audience of 300 million.

A report written for the commission said the system, which could be run by existing networks among the 10 nations of the trading bloc, would be made possible in the next few years as satellite television broadcasts become more common.

## CIA, Rights Group Near Accord On Freedom of Information Bill

By Robert Pear

New York Times Service

WASHINGTON — Lawyers for the Central Intelligence Agency and the American Civil Liberties Union say they may be close to agreement on a formula for amending the Freedom of Information Act to exempt numerous files relating to clandestine operations.

Spokesmen for the civil liberties union said the formula would preserve public access to all documents that must be disclosed under current law.

The CIA's support for the plan reflects a major change from its previous insistence that it should be entirely exempted from the disclosure law, according to Ernest Mayerfeld, deputy general counsel of the agency.

The compromise is contained in a bill introduced recently by Senator Barry M. Goldwater, Republican of Arizona, who is chairman of the Senate Select Committee on Intelligence.

Under the bill, the agency's operational files — which show how it gathers intelligence — would be exempt from disclosure and the agen-

cy would be relieved of its responsibility to search such files in response to information requests. But unclassified political, economic and scientific information obtained through intelligence operations would still be accessible to the public.

The Reagan administration has offered proposals to limit the scope of the "Freedom of Information Act."

Mark H. Lynch, a staff attorney with the civil liberties union, said Mr. Goldwater's bill could speed disclosures because the CIA would no longer have to search files that, in practice, yield no documents that can be released. The agency has a large backlog and is just now complying with requests submitted two or three years ago.

"If we thought we were losing information that is now available, we would never go along with this proposal," said Mr. Lynch, who has been involved in litigation against the agency for the last eight years.

The key to the bill is the assumption that the CIA, because of its computerized file system, can separate the fruits of intelligence-gathering from sensitive data about

sources of intelligence and the agency's methods in gathering the information.

The bill would authorize the CIA director to designate certain files as exempt from search, review, publication or disclosure. Presumably, his determinations could be challenged and reviewed in court.

To qualify for an exemption, the file must be situated in one of three branches of the agency: the Directorate of Operations, the Directorate for Science and Technology or the Office of Security. Under the bill, a file could be exempted if it dealt with one of four topics:

- Scientific and technical means of collecting intelligence.
- Foreign intelligence and counterintelligence operations.
- Background investigations of potential informers.
- Liaison arrangements with foreign governments.

Information derived from the exempt files and distributed to other parts of the agency has no special protection. In addition, the agency may be required to search its operational files for information about covert activities whose existence has already been confirmed by the government.

## More Libya Arms Reported in Chad

The Associated Press

KHARTOUM, Sudan — Libya has sent more warplanes and troops to the Aouzou region in northern Chad to help dissident Chadian forces launch an offensive to topple the government, the Sudan news agency said Monday.

The agency attributed its information to Chadian rebel soldiers who defected to Niaméy, capital of Niger, which lies to the west of Chad.

The Aouzou region is being used as a base of operations by the former Chadian provisional president, Goukouni Oueddei, against his civil war opponent, Hissene Habré, now president of Chad. The defectors said Libya had sent eight Soviet-built Sukhoi bombers and other planes to Aouzou.

## U.S. Code Drawn Up To Guard Technology

By Philip J. Hiltz

Washington Post Service

DETROIT — A panel of university and defense officials has agreed on proposed steps to protect scientific research from disclosure that might harm U.S. national security.

David A. Wilson, co-chairman of the panel, reported the compromise at a meeting Saturday of the American Association for the Advancement of Science.

It is the first formal agreement on the subject between academics and the government and, although not binding, is expected to influence the final policy now being developed by the Senior Interagency Group on the Transfer of Strategic Technology, an independent body reporting to the White House.

Officials from Stanford, Massachusetts Institute of Technology, the University of Minnesota, the University of California system and other universities agreed to two types of controls on "sensitive" research done under government contract, most of it for the Defense Department.

A government contract officer would have the right to review a research paper for 60 days before publication and could try to persuade the scientist or his university to change it or not to publish it.

No foreign citizens from communist or other named countries could participate in the research without government approval.

Universities had been reluctant to concede the second point because they would have to police some students and researchers.

According to Mr. Wilson, some Pentagon officials were displeased with the report, and the discussions at times became so heated that the university officials threatened to walk out of one meeting.

Eventually, he said, dissenting Pentagon officials set up their own group to recommend tougher controls, a study that is still going on.

A debate between academics and government officials has been going on for several years, since the

government first tried to "crack down" on publication of research that government officials felt might be militarily useful to the Soviet Union.

Three years ago, the National Security Agency placed secrecy orders on some university researchers working on the mathematics of codes, but the orders were rescinded after the researchers protested.

Last year, the government physically seized more than 100 papers from a scientific meeting because they covered such topics as laser guidance systems and government officials said, Soviet bloc representatives were present.

A Central Intelligence Agency official warned scientists last year that if voluntary controls were not put on the "hemorrhage" of information leaking to the Soviet Union, even more restrictive legislation might be enacted.

However, the National Academy of Sciences issued a report saying that government and intelligence officials could not produce a single instance in which university research was leaked to the Soviet Union and used to military advantage.

The report acknowledged that Moscow had gained access to much Western technology and put it to use in weapons, but it said almost all the "technology transfer" came in the form of hardware sold legally and illegally to communist nations.

**3 Killed in Dutch Blast**

Reuters

MUIDEN, Netherlands — Three employees were killed Monday in a blast at a Dutch explosives factory in Muiden, near Amsterdam.

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# Herald Tribune

Published With The New York Times and The Washington Post

## Death in El Salvador

Memorial Day will have had a poignant meaning for the family of Albert A. Schaufberger 34, USN, the first American adviser to die in El Salvador. He was sent to that country to help save it from the savagery that claimed him. Who were his executioners? A distraught United States official had this first response: "It could have been from the left, it could have been from the right. You never know here."

That could serve as an epitaph for a policy as well as an officer. A confused civil war in a confused region has jarred an administration with a taste for simplistic analyses and prescriptions. Thomas Ender, the State Department's chief of hemisphere affairs and a tough-minded pragmatist, has now been replaced for the offense of thinking otherwise.

The essence of the Salvadoran tragedy is that no one is certain who the villains really are. Or where they are. Death came to Mr. Schaufberger not in battle but on the streets of San Salvador, at the hands of four gunmen proficient in a bloody trade.

The deed was apparently ordered by the most radical of guerrilla factions to disrupt a planned sweep by the Salvadoran Army. But you never know in El Salvador, and North Americans there had plenty of reason for a panicky suspicion that right-wing death squads were to blame. The three-year-old civil

war has resulted in about 30,000 civilian deaths, most at the hands of government security forces. Eight U.S. civilians are among the dead or missing, but Salvadoran courts have yet to convict a single killer. To all this Ronald Reagan has an insistent reaction. Whatever the faults of "our" side, the other fellows are worse: Witness the execution of a young U.S. adviser. The only proper response to leftist violence, he contends, is to send more guns and advisers, and to appeal to guerrillas to lay down their arms and join in a November election under an interim government that they have ample reason to distrust.

It would better honor a fallen U.S. citizen to acknowledge the messy reality of El Salvador. The Reagan administration insists that the insurgency provoked the repression it deplores, but the reverse seems closer to the truth: It is repression that ignited the insurgency, and helps crucially to keep it alive.

In this civil war, good and decent men are on both sides of the barricade. Bringing some of them together is the key to any durable social peace. That is a purpose Americans could applaud, and it would give meaning to an adviser's death. What will prolong El Salvador's agony is the attempt to impose on this muddle the false tidiness of a simple crusade.

—THE NEW YORK TIMES

## The Mariel Misfits

Fidel Castro has done few things nastier than shipping several thousand criminals and other misfits into the group of 125,000 people that he allowed to set sail for Florida from the port of Mariel in 1980. Humanitarian feeling and public pressure led Jimmy Carter to welcome them all with "open arms," and without the usual screening.

Through most of the Mariel group fitted in fine, the misfits have inflicted a difficult burden, and have rebuffed quiet U.S. efforts to return them. So the State Department had some reason to go public and to demand that Cuba now take them back. Otherwise, the department said, the United States will deny immigrant visas to all but the immediate relatives of U.S. citizens.

No doubt the United States can cause Cuba a certain embarrassment by reminding everyone of the nastiness of 1980. The Cubans may also be concerned that the United States is closing off part of its traditional emigration safety valve. We wonder, however, whether the new tactic is likely to be effective or wise.

In the immigration categories that would now be formally closed, visas have not been given anyway since the Mariel days of 1980; this was done after Cuban police hounded some 400 desperate visa-seekers into the American mission in Havana. Nor is it apparent that the United States has any new lever-

age that would make Cuba remove the cynical conditions it has attached to the return of the undesirables.

One condition is that the misfits return voluntarily. But presumably few would go voluntarily, in which case the United States would be in the position of modifying its traditional reluctance to return people against their will to communist countries. The other Cuban condition is that Havana be able to veto returns on an individual basis.

But there is a more immediate problem. If immigration policy is used as a stick, certain innocent individuals will have to pay a heavy personal price for political considerations over which they have no control. There are in Cuba 1,500 or more former prisoners — political prisoners, most Americans would call them — who are ready to come to the United States but who cannot get the necessary American papers. Some of these people appear to fall in the categories that have been excluded by un-declared American practice since 1980 and that would be excluded by declared American policy now.

We do not think it is worth heating Fidel Castro over the head with the Mariel undesirables if it means that an opportunity is lost to allow far worthier Cubans to come to the country of their choice.

—THE WASHINGTON POST

## Other Opinion

### A Trickle-Down Recovery

The distinguishing feature of Williamsburg is that for the first time since the summit began, the economics and economic policies of the Big Four among the seven are in general harmony. The United States, Japan, West Germany and Britain all have governments that subscribe to free-market, as opposed to socialist, principles. All have brought inflation under control. All are experiencing, or expecting, recovery.

The starting point for recovery lies with the perception that the front four can be what are known as "locomotives," pulling the rest along with them. The Europeans and Japanese also believe that the American deficit must come down for recovery to last. But so does Ronald Reagan.

A new emphasis is emerging on making it possible for debtor and other countries to earn their way back to prosperity through enhanced trade. With Secretary of State George Shultz in the lead, the advanced countries are pushing for a leap forward in fighting protectionism in all its forms.

What emerges from all this is a kind of free enterprise scenario, a global recovery over the next two years. It is far from perfect. It involves a very slow retreat from high unemployment in the industrialized countries. It spreads recovery to the rest of the world by a trickle-down process. But to other mechanism for managing the world economy exists.

—Syndicated columnist Joseph Kraft.

### The Kurdish Factor

That the Turks should have decided to send troops in brigade strength into Iraqi territory, and without Iraqi opposition or protest, suggests that Iraqi forces had been withdrawn to face the Iranians (and possibly Syrians).

If Iraq were weakened further, as a result of its continued losses at the hands of Iran, there

can be no certainty that its government would not continue to denude its Kurdish provinces bordering on Turkey of troops. But how far could this process continue without further unrest of a kind that might draw more and more prolonged Turkish intervention into this turbulent but oil-rich area, where Kurds, Turks and Turkomans outnumber Arabs?

—The Daily Telegraph (London).

### The Need for Cooperation

At their present stage of development, the financing needs of many of the poorest countries are very long-term needs, which only public aid can help to meet. This poses a very difficult problem when, in their fight against inflation, industrialized countries are often having to make cuts in their own budgets. They do not find it easy to explain to their taxpayers that they must increase taxes and renege certain domestic social programs while maintaining aid to developing countries. Nevertheless, we at the United Nations are convinced that this is justified for overall reasons of international equity as well as from the viewpoint of the genuine long-term interests of the richer countries themselves.

In a way, we should consider cooperation among industrialized countries just as important as cooperation with the countries of the South. If the Western countries do not succeed in overcoming the tensions dividing them at present — commercial tensions among Japan, Europe and the United States, and certain political tensions — there will be no chance of their developing, in a spirit of cooperation, peaceful relations with the South. That means, in my view, that the South has an interest in the North's strengthening its internal cooperation. The need for cooperation is indivisible.

—Jean Rippert, UN director-general for development and international economic cooperation, in Development Forum (Geneva).

## From the Summit, a Climb up to Tokyo

By J.W. Anderson

TOKYO — By the time the Williamsburg meeting finally opened, interest in it here had fallen close to zero. The real question was what comes next. There the Japanese interest, not to say anxiety, is quite sharp.

After Williamsburg, there is a list of subjects dividing Japan and the United States that are going to have to be discussed, though in less speculatively public circumstances.

According to one authoritative view here, the most important of these subjects is monetary policy and the exchange rates.

The precise amount is a matter of argument, but there is no doubt that currently the yen is low and the dollar high in terms of each other. The reasons lie in the flows of international investment and speculation. But the effects are drastic.

A low yen keeps the prices of Japanese exports low in foreign markets, and more fiercely competitive than ever, while a high dollar means high prices for U.S. goods abroad. Not only are the present rates out of line, measured by the things that they can buy, but they keep moving against each other with great volatility.

In Japan as in most industrial countries, the constituency for stable exchange rates is, above all, the manufacturing industries. As an economist here observed, a company can knock itself out to shave production costs by 1 percent, only to see all its efforts nullified in a single afternoon by a random swing in the exchange markets.

But there is no more agreement here on remedies than there is in Washington or New York. The

Japanese government does not consider it realistic to talk, as the French have, about a return to the fixed-rate system that collapsed a decade ago.

The serious debate is over intervention. Theoretically, governments can intervene in the exchange markets by buying and selling currencies. In practice, it is not at all clear that even governments have the resources to counteract the tremendous tides of private money now running through the international banking system.

If you go to government or corporation offices, you are likely to hear the case for concerted stabilization by an alliance of governments to hold rates at least within a broad band. According to this view a display of determination by the most powerful governments, working together, would dampen speculators and serve to steady rates.

If you visit banks and financial specialists, you are more likely to be told that attempts at intervention are merely a very fast way to lose a lot of public money without accomplishing much. According to this logic, the only real hope for stability is to get inflation rates down in the major trading countries — the Japanese rate is now close to zero — and remove the inflation differentials that offer opportunities for speculation.

In any event, there is little hope of any dramatic improvement soon. That is unfortunate, because the misaligned and unstable yen-dollar rates are contributing powerfully to the pressure for protec-

tionist legislation in the United States, and to the charges of unfair Japanese trading practices.

If the yen is undervalued in terms of the dollar by 10 to 20 percent, it gives a price advantage of perhaps \$750 to \$1,500 to a Japanese compact car sold in the United States — a devastating handicap to the American competition.

To take the long view, the misalignment of the currencies is temporary in the sense that it is likely to remedy itself over the coming years, if not in the next few months. One cause of it is the high American budget deficit and the high interest rates that it generates — which, let us hope, will not persist forever. On the Japanese side, the yen is depressed by the heavy outflow of capital investment.

There is a widespread opinion here that investment opportunities are currently better elsewhere in the Pacific basin, including North America, than in Japan. That thought startles Americans, who are accustomed to complaining about the state of their own economy while reading about the resilience of Japan's. But money is moving out of Japan this year — although, again, the trend will not last forever.

Regarded from this side of the world, Williamsburg appears to be in some danger of ending up as a symbol of political evasion. The seven great powers of the industrial world have invented a system of international trade that has made them rich beyond all expectation. But they are now beginning to realize that they have not yet found a way to govern and manage it.

The Washington Post.

## France's Fears Over U.S. Deficit

By Hobart Rowen

WILLIAMSBURG, Virginia — Despite the well-publicized disagreements between France and the United States, President François Mitterrand and at least part of the Reagan team are in accord on the matter of cutting the U.S. deficit.

All is not sweetness and light, however. Just after Mr. Mitterrand's election two years ago, Claude Cheysson, the French external relations minister, journeyed to Washington and beseeched Treasury Secretary Donald T. Regan to promise to intervene, if necessary, to bolster the French franc. But, as one inside source said, "Cheysson was sent packing."

And as the economy worsened under the Socialist program, the French have become increasingly bitter. They can remember a different American attitude. In 1974, after Ciscard d'Estaing's election, they got a secret promise of help from the U.S. Federal Reserve, which was carried out with the aid of the German Bundesbank.

So tensions have been growing. They were exacerbated after the Versailles summit last year, when Mr. Mitterrand and Mr. Reagan exchanged charges of broken promises. Then, three weeks ago, Mr. Mitterrand invited foreign ministers and finance ministers who were meeting in Paris to an Elysée Palace reception, presumably for a drink and some cordial chatter.

What they got, while standing in an ornate Elysée ballroom, was a speech calling for a conference "at the highest level" to restore the fixed-rate international monetary system. Such a system is completely contrary to current American policy, and the president's surprise pitch angered some of the listeners.

But what Mr. Mitterrand is really after, as has become clear during the summit, is a new willingness of the U.S. government to reduce its prospective budget deficits in later years. These deficits, Mr. Mitterrand believes, could cut short the global recovery, keep unemployment high, and add to the social unrest already troubling France.

This is the French analysis of the current economic situation: The fragile economic recovery that may be getting under way now, with the United States in the lead, will not be strong enough to bring unemployment — 32 million in the industrial world — down to politically acceptable levels. The fear in Europe is that because of the prospect of continued American deficits, interest rates will move up, cutting the recovery short.

Europeans also contend that high interest rates caused by these deficits suck away capital from Europe and elsewhere. Not only is the U.S. deficit thus partially financed by overseas money, which then cannot be invested at home, but the expensive dollar is a burden for countries like France that pay for oil and some other imports in dollars.

From a purely selfish American viewpoint, they add, Mr. Reagan should understand that the overvalued dollar limits U.S. export potential, and brings out protectionist tendencies.

The anomaly is that this sober European analysis of the current economic outlook is identical with the private view of at least two high Reagan administration officials, who believe that the administration must put \$45 billion to \$50 billion in additional taxes on the books by Jan. 1, 1985, or risk an economic crisis. The taxes would be "triggered off" later if the deficit falls below some designated level.

A White House spokesman said firmly after a recent story in The Washington Post that such a "trigger off" tax plan does not yet have the president's blessing. And that is why some Reagan advisers, although they cannot say so publicly, were hoping Mr. Mitterrand and other heads of state and government would impress the president during the summit with the global danger of record American budget deficits.

The Washington Post.

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

## Those (Not-Quite-So) Oil-Rich Arab Sheikhs

By Mohammad Abu Tarbush

PARIS — From the first gustings of the oil boom, Arab wealth has been exaggerated. Even at the peak of the boom, the combined annual GNP of Saudi Arabia, Bahrain, the United Arab Emirates, Kuwait and Qatar, at close to \$120 billion, was only slightly more than that of Belgium. The aggregate population of these five Arab countries — including foreigners, who in some cases make up as much as 50 percent — is only 11 million, a mere 7 percent of the Arab world's population.

To many citizens of the oil-producing countries, wealth arrived with the suddenness of a winning lottery ticket. Some were unable to deal with it rationally. The tales of unfettered shopping sprees are the stuff of well-documented legend. On the receiving end, too, there were abuses. Real estate prices in Europe invariably rocketed once hints of an interested Arab buyer began circulating.

Oil largesse was all the more resented because it arrived at a time when the West was feeling the pinch of its first major postwar recession. To Arab eyes it seemed that much of world opinion would have preferred the Gulf countries to remain dependent and backward.

The West expressed a genuine fear of this petro-wealth. Liquidity gave that wealth dynamic mobility and the power to stabilize or destabilize entire economies. Most Western economists would now agree that the governments of the oil-rich nations adopted a responsible line, going out of their way not to disrupt the world economy.

With their own economies capable of absorbing only so much of

the new wealth, they invested as much as 60 percent of their surplus cash reserves in the West, most of it in negotiable deposits and short-term securities.

A major portion of their imports came from the West. Thus, the bulk of the oil revenues was recycled, directly or indirectly, to generate economic activity back in the industrial countries from which it had been earned. Interest payments may have boosted the "book value" of those Arab funds, but the real value has been reaped ultimately by the foreign banks, financial institutions and economic sectors that housed, borrowed or used those funds.

The largest Arab investors in the West have invariably been government agencies. With unmatched returns on their money at hand, most private investors looked abroad more for security than profit. But both demonstrated a preference for easily convertible instruments such as Treasury bills or corporate bonds, leaving only a fraction of their capital for direct investment in the West.

A recent report by Chase World Corporation estimates that direct investment by Arab governments and individuals represents less than 1 percent of all direct investment in the United States. It goes on to ridicule emotional outcries against the prospect of Arabs "buying up" America. It observes: "Only about 3 percent of U.S. farm acreage changes hands yearly; only 5 percent of the 3 percent is purchased by foreign buyers; and only 1 percent of the 5 percent of the 3 percent is bought by Arabs."

Now the shock of the recent drop in oil prices and accumulated experience and expertise are bound to produce a new orientation of Arab investment. The plummeting revenues have given a sharp reminder that oil reserves are non-renewable, and many Arab governments sense that this may be a pivotal time to develop their own economies.

So far they have concentrated on pouring their wealth into urbanization, industrialization and creating an infrastructure of roads, airports

and power stations. Out of the desert rose monuments to modern architecture — but also superfluous industrial schemes and acres of tacky apartment blocks and garish hotels that are already proving too costly to maintain and are destined to become ghost towns once the oil companies and their expatriate labor forces pack up to return home.

Just as the energy crisis of the '70s provoked Western governments into seeking a better way to manage their resources, the current squeeze on oil revenues may prompt Arab governments to become more vigilant with their own. Already there are reports that Arab oil-producing countries plan to spend no more than 60 percent of their current budgets — a far cry from the overruns of the '70s.

The crisis could also spark more serious thought about the economic needs and potential of the Arab world as a whole. While the oil-producing countries now contribute almost as much in international aid as the United States, in many Arab countries such basic amenities as hospitals, schools and sewerage systems are still lacking.

The United Nations ranks some Arab countries among the poorest in the world. In Egypt and Morocco, per capita income is still less than \$800 a year. While the Arab world takes more than 10 percent (\$32 billion) of the world's agricultural imports, only 30 percent of the arable land in the Arab world has been exploited.

Until now some Arab oil producers have allocated more than half of their annual budgets to defense. How wise an investment this is can be questioned, considering that none of them could rebuff a foreign attack without outside help, and that in some cases more than 75 percent of the national army is foreign. National security might be better served by promoting the prosperity of their less fortunate Arab neighbors.

The writer, an investment banker and commentator on Middle Eastern affairs, contributed this opinion to the International Herald Tribune.



'Four dollars a pound? Outrageous!'

## What the Democrats Need to Beat Reagan in '84

By Alan Baron

WASHINGTON — The continuing upswing of the nation's leading economic indicators is leading most political prognosticators to the conclusion that President Ronald Reagan will run for re-election in 1984 — and win.

Seldom in recent years has the consensus among Washington insiders been more clear. Seldom, also, has it changed more rapidly; just a few months ago, Republicans were looking toward 1984 with fear and trepidation, and some Democrats had all but inaugurated Walter Mondale as the next president. Indeed, just this spring, the polls had Mr. Mondale holding a nearly 2-to-1 lead for the Democratic nomination and a healthy lead over President Reagan.

Several factors have contributed to the rapid shift, but the most important is the economic recovery. Historically, the odds of defeating an incumbent president during a period of economic recovery appear to be exceedingly slim — particularly with no overriding non-economic issues facing the electorate (in 1968, civil rights and Vietnam cost the Democrats the presidency).

Just six months ago, Democrats were determined to focus their attack on the president himself, asking voters — as Mr. Reagan did in 1980 — "Are you better off now than you were four years ago?"

That question may still be asked — of minorities, workers in "smoke-stack" industries and the industrial snow ball, working women and some others. But it is unlikely to be the universal theme on which a Democratic victory can be achieved.

Meanwhile, Democratic contenders have failed to ignite many fire-works in challenging Mr. Reagan. Mr. Mondale is not the kind of candidate who inspires fanaticism among followers. John Glenn's organizational problems have — or had, until recent poll results, at least — dampened interest in him among the media. Gary Hart has just not taken off. It is perceived, and the other Democrats — Alan Cranston, Fritz Hollings, Reubin Askew — are still not taken seriously.

Another factor in the turnaround among Washington insiders is a near-

blind faith in Mr. Reagan's ability to communicate — via the media — with the "average man."

Members of the media may ridicule a Reagan television speech, and see public opinion polls indicating the speech has had little impact on public opinion — but the belief seems to remain that people "out there" were convinced.

Washington's new conventional wisdom may prove to be right. But it may depend less on Mr. Reagan and economic recovery than on the Democrats. They have it in their power to elect a president in 1984, but the odds are no better than even that they will do so.

The reason is that the 1984 presidential election will not be a referendum on the economy or competing ideologies. It will be a choice between the two individuals. And among the factors that will be character and effectiveness.

In terms of character, the key trait voters have been seeking in recent years is independence; proof that a candidate can overcome his natural biases due to region (Mr. Carter being endorsed by Andrew Young), ideology (Richard Nixon going to China), interest group supporters (Mr. Reagan attacking the bankers on the withholding issue), religion (John F. Kennedy supporting strict separation of church and state in a speech to ministers).

DeLoos Walker, one of the South's most successful campaign consultants, says that "voters will pretty much allow a candidate to take any position he wants, so long as they trust his intentions and believe he believes what he says."

Mr. Reagan's greatest asset is that even his harshest political enemies believe that of him. Walter Mondale's greatest problem is that — if somewhat unfairly — there is a perception that he tells everyone what they want to hear.

Mr. Reagan's basic appeal, the call for less government, is a universal one, while Mr. Mondale and most other Democrats have sought to appeal to voters by constituency as environmentalists, people for peace,

women, among others. For the Democrats to win, that must change.

The second trait a candidate must convey is effectiveness, the perception that he has the ability to get things done. This is Mr. Reagan's most vulnerable area; he is hurt by his background as a movie actor, his age, the feeling that he is out of touch and too inflexible.

For a Democrat to win, he will need to use issues to demonstrate that he will be independent and effective. And to do this, Democrats must change their definition of the public interest. Traditionally, it has been viewed as the sum total of myriad private interests — those of the AFL-CIO, teachers, farmers, students, minorities, women and others.

But today, meeting the demands of every constituency is impossible.

A president who fails to make good on promises made to such interest groups destroys his credibility and his ability to govern. For a Democrat to win, he must speak in the national interest — distinct from the sum of group interests — and direct his appeal to individuals, not groups. He must make clear his basic commitment to the poor, the minorities, the elderly and others for whom his party has fought, but he must also make clear his pragmatism, flexibility and willingness to develop new policies for changing times.

The writer is publisher of the Baron Report, a political newsletter. He contributed this column to the Los Angeles Times.

### The President's Clothes

I am surprised to note that Prince Philip received the Fashion Foundation of America award for international society ("People," May 3). In my humble way I feel that I may have given His Royal Highness a run for his money; but did anyone at FFA come to look at me or even talk to me on the telephone?

I am happy, though, that Ronald Reagan received the FFA award for best dressed international statesman. He certainly won't ever win awards for best statesman.

C.A. LUGTEN  
South Ascot, England.

### The Tamils' Pight

Regarding "Social Wages Catch Up to West Berlin" (11/7, May 6): Having lived in West Berlin for the past seven years, I found Mr. Drazdalk's article depressingly accurate. There is, however, one point I would like to correct. The Tamils of Sri Lanka have come to West Berlin seeking political asylum and not as migratory workers.

It has been the policy of the governments of West Berlin and the

Federal Republic to ignore the Tamils' political situation. Sri Lanka's Tamils have been demanding since 1976 that the majority Sinhalese grant them a state.

MILI KATZ-HAWRAN  
Bry-sur-Marne, France.

### Lakes of Wine

Regarding "EC, by Subsidies, Gains as U.S. in Food Exports" (11/7, March 1):

Paul Lewis says there are "lakes of undrunk [wine] that are 'exported' outside the EC with government chipping in a fat subsidy to bring down the price to the lower levels charged by rival American farmers."

This is just not true; at least not for Italian wine-producers, who are very poorly protected by the European Community. There are neither price-supports nor export subsidies for bottled wines.

The reason for the "invasion" of Italian wines into the United States is multiple. First, the U.S. dollar has nearly doubled in value in the last few years; second, enormous investments have been made over the last 10 years in Italian wine-making plants, and modernization of ma-

chinery and technology are now demonstrating their cost-effectiveness; third, competition in Italy (with a falling internal market) is tough and profit margins are slim. Only the fittest survive.

Fourth, Italy's generous yields, quality-controls and fair prices make Italian wine an attractive proposition for U.S. importers. Therefore, it is not an "invasion" promoted by Italy but one due to Italian wines meeting a very specific market that is not met by U.S. producers.

PHILIP DALLAS  
Rome.

### A Taxing Error

Regarding "French Tax Law" (Letters, May 22-23):

A printing error made my letter read that an official extension was granted for the filing of French wealth tax returns. Rather it was an official oral extension made last October for reporting and French assets on 1982 wealth-tax returns, pending Tax Treaty negotiations.

STEPHANIE H. SIMONARD  
President, Association of Americans Resident Overseas, Paris.

## FROM OUR MAY 31 PAGES, 75 AND 50 YEARS AGO

### 1908: Four-Nation Balloon Race

LONDON — Thirty experienced aeronauts, representing Great Britain, France, Germany and Belgium, took part in the great international balloon contest [yesterday] and ascended from the grounds of the Hurlingham Club in the endeavor to reach a point just west of Maidenhead, which was decided upon by the committee as the winning post. The process of inflating the balloons began in the early hours of the morning under the care of a large body of Royal Engineers. In the first hour eighteen balloons had been dispatched. Late in the day the winner was declared officially to be England's Mr. Pollock, whose Valkyrie descended within 300 yards of the winning post.

### 1933: A New View of Tariffs

LONDON — An important indication of the American attitude toward tariffs was given by Ambassador Bingham at his first official public utterance. He referred to the "really incredible" recovery of hope and courage which followed the inaugural address of President Roosevelt, and to changed attitudes by the American people through their misfortunes. The ambassador said, "For years the majority of American people believed that the higher the tariff the higher wages and the general level of prosperity in the country would be. Now they have learned the grim lesson that with the highest tariffs the country has ever had, more than 13 millions have no wages at all."

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Je Kip Liso

ARTS / LEISURE

## Fake Food Becomes a Real Art

By Suzanne Slesin  
New York Times Service

NEW YORK — In Japan many restaurants put fake food in their windows, where it serves as a sort of visual menu. Every time Yoshiko Ebihara, a SoHo gallery owner, went to Tokyo, she found herself buying examples of the incredibly realistic fakes.

Eventually Ebihara began to think that she might like to exhibit them in New York, not as the craft that they represent but as an art form. The only reason she hesitated was that, she said, "American people might not understand it if all we had was sushi." So she tried to talk Minoru Iwasaki, president of the Tokyo concern that makes much of the fakes, into trying his hand at reproducing Western foods.

At first Iwasaki was not convinced — "he could only see the things as samples, not as art," Ebihara explained — but she persevered and he gave in. The result is an inaugural show of 30 pieces at Gallery 91 in SoHo. The show, entitled, "The Real Art of Fake Food," continues through July 16.

The presentation of fake food in Japan dates from the 1920s, when restaurants started serving Western-style fare. Along with fake examples of sushi and tempura, lesser-known items were reproduced and displayed with their prices so that customers might be convinced to try something new. Reproductions are also used in advertising promotions and shop displays and as educational props, and they have recently been incorporated into accessories such as key rings and hanging magnets.

The reproduction process involves pouring a silicone gel over the raw or cooked food to be copied and letting it set. A liquid wax



Gene Magg, Minoru Iwasaki, The New York Times

Fake spaghetti comes complete with forks; Minoru Iwasaki (far left) joins Yoshiko Ebihara in the gallery with some phony bread.

cashews, cornichons falling out of a jar, chocolates nestled in a box, pork chops swimming in gravy, a bulging platter of rolled cold cuts sprinkled with olives and crowned with potato salad, a gooey sausage pizza, and a table covered with seafood and fish.

If they are not good enough to eat they are at least good enough to touch — to make certain they are not real. Salmon, hanging on the wall, and lobsters are the most realistic. Some of the Western food, especially a side of roast beef and a T-bone steak, looked real enough but not particularly appetizing.

That may be because Ebihara wanted to exaggerate the qualities of some of the Western fare.

Prices range from \$130 for a glass of red wine to \$1,300 for a large lobster. Gallery 91, at 91 Grand Street, is open Tuesday through Saturday from 1 to 6 p.m.

mixed with oil paint is brushed onto the resulting mold and more wax and layers of cotton wool are put into it. When the copy has hardened it is removed from the mold and painted. In Japan the Iwasaki company employs more than 800 craftsmen; it has been estimated that there are 2,000 all told.

"There are no rules, no technique, no school where one can learn to do this," said Harry Fujita, Iwasaki's Los Angeles representative. "The final effect is the only thing that counts."

It is the realistic painting of the objects that is the mark of the out-

standing craftsman. "Cooked things are easier to copy than things that come from nature," Fujita said, "and because a lot of Japanese food, like sashimi and vegetables, is served raw, it is difficult to match the natural colors. Chinese food is the easiest of all."

"When you try and copy what God created that's the hardest," said Iwasaki, whose remarks were translated by Fujita.

Displayed in Ebihara's white-walled gallery and all looking good enough to eat are tomatoes glistening with drops of water, partly peeled bananas, sectioned oranges, half-open peanuts, cascading

## Doug Sahm: Tex-Mex Hippie Cowboy

By Michael Zwerin  
International Herald Tribune

PARIS — Sir Douglas a.k.a. Doug Sahm, who once made an album called "Texas Tornado," was in a noisy cafe near the Gare de l'Est very early one morning last week before driving to Amsterdam in a beat-up VW bus and after working very late the night before.

If this is a sleepy Sahm, Sahm wide-awake must break records: "New York hustlers dig me, man. I'm more at New York speed than Texas speed."

Sahm is one of those responsible for that joyful blend of blues, country, rock and Mexican music that came to be called Tex-Mex. He had a local hit in his native San Antonio, Texas, when still a teenager (he's 41 now) with a band called The Knights, he moved to flower-child San Francisco in the mid-1960s and formed the Sir Douglas Quintet, which had a national hit, "She's About a Mover," and then a bigger one, "Mendocino."

The sound consisted of his own thick voice backed by simple staccato guitar chords and "garage band organ" from Augie Meyers, who's still touring with him. In 1973, after some commercial flops, he made "Honkey Blues" (Atlantic), which included Bob Dylan and Dr. John as sidemen, but Sahm will tell you proudly that George Coleman (once with Miles Davis) played saxophone and Jimmy Knepper (ex-Charles Mingus) trombone on the album and never mention Dylan. Later, "Groover's Paradise" (Warner Brothers) featured the rhythm section from Creedence Clearwater Revival, and Creedence drummer Doug Clifford is still touring with him.

Sahm moved to Austin, Texas, in the late 1970s to join "hippy cowboys" like Willie Nelson, Waylon Jennings and Jerry Jeff Walker. He's one of those people who believes that making bad music for

money is a crime against nature. His recent album "Border Wave" includes a song that begins: "It was good while it lasted, Gee we really got blasted."

"Hell no," he says. "I don't mind driving in a beat-up bus. Doesn't matter how I get there, main thing is I'll be in Amsterdam tonight. I'm doing what I like. Baseball and Clifford Brown bebop jazz, man, that's what I really like. My one regret is that I was born too late for the heyday of bebop — the Blackhawk in Chicago, 52d Street. I coach a softball team in Austin but I travel so much I got a subordinate coach. I go back every so often and whip them in line. Hey, waiter!"

"You ever meet Clifford Brown? I met Wes Montgomery once. My favorite record of all time is 'Kind of Blue' (Miles Davis). I love big horn sections like Bobby Blue Bland and J. Parker. I was going to tell you how I met Wes. Boy, my mouth is dry."

"They got awful good yogurt in Scandinavia. We just came from up there. Scandinavia's been keeping me even. You wouldn't believe it, my road manager's got to pull the fans away. In Trondheim we met a real Viking, he kept yelling 'Sir Douglas, I love you! I've probably seen more of Scandinavia than any Texan alive.'"

"Man, at the beginning I was real popular with Chicaneos. White people didn't even buy my records. I was raised in San Antonio listening to conjunto music. Conjuntos are small Mexican combos with accordions, like Flaco Jimenez. He's really the guy you put rock and Mexican music together. Flaco means 'skinny.' There's a band called Little Joe and the Familia in San Antonio. They got rich just selling records to Mexicans. So you got the mariachis with tinkly guitars, the conjuntos and then big Latin bands like Little Joe."

"I can't stand this new rock. Weird music by weird people, man, it all sounds the same. We older guys come from the time when there were melodies. Ain't no melodies no more. You know if you ask McCartney or Bob Seger or any of the older singers who's Number 1, they'll all say Little Richard. Number 1 rock 'n' roll singer. My man."

"They got some good jazz horn players from Texas — Onyiah Coleman, Harold Land, Jimmy Ford. I dig horns, man. One of my favorite all-time records is Bobby Darin (he starts to sing: 'Oh the shark has pretty teeth dear.' Horns, baby! I got horns in my San Antonio band but they're all too stoned to leave so I get different bands to travel to different places. Waiter!"

"They either kill you or kill for you in San Antonio. Some heavy cats. I'm moving there in September. They love to see purple-headed freaks: 'Hey, New Waver! Smash, they'll nail 'em. In Toronto there are 10 homicides a year, sometimes there's 3 a day in San Antonio (he sounds proud). Austin used to be full of long-haired cowboys, but now everybody's wearing purple hair. They want to make Austin the New Wave capital. I lead the opposition. I see right up and say 'You're lame! They don't want you to speak up.' I'll smash a guy's face. It's war, I tell you."

"The hippies were high, trying to



Sahm: "Europeans don't see people like us every day."

get spiritual, listening to D dropping acid. These New Wave kids are downers: they're druggies. They just ain't in the right direction. My fan the old Mexicans. Them cats, been smokin' that good snuff years, ain't no New Waver sell them their trip. I mean it put his lights out in a New minute."

"People say I'm a living legend, that's what keeps it going. I mean don't see people like me day. Outrageous. Let's face it, we're in the entertainment mess, might as well give peas show."

Sir Douglas Quintet: Rotterdam May 31; Dingwells, London Jan 3.

## Rameau Fêted by Lavish 'Indes'

By David Steyens  
International Herald Tribune

PARIS — The lavish production of "Les Indes Galantes" at the Théâtre Muséum de Paris (Clélie) is one of the major events of the tricenary celebrations of the birth of Jean-Philippe Rameau, as well as a significant updating of the best-known (in Paris, at least) of the 18th-century composer's stage works.

After being played for almost 30 years during the composer's lifetime, beginning with its 1735 Paris premiere, "Les Indes Galantes" returned to the repertoire of the Paris Opéra in 1952 in a version that was hotly contested on scholarly grounds, but which was nevertheless a long-running hit — 286 performances over almost 13 years. A lot of scholarship has passed over the dam since then in matters of early instruments and style, so that musically this TMP production — with the instrumental and vocal ensemble of La Chapelle Royale under the direction of Philippe Herreweghe — is light-years away.

On the visual side, however, large-scale spectacle is still the name of the game, even if the machinery of baroque theater is a thing of the distant past. This opera-ballet calls for grand effects and a feeling for the 18th century's taste for exoticism: its four acts have no common story line, but are a series of divertissements in imaginary "Indies," populated by Turks, Incas, Persians and American savages, and in which the occasional European visitor seems exotic too.

Pier-Luigi Pizzi, who is responsible for the staging, sets and costumes, has brought his voluptuous sense of color and space to the task, and rather than trying for a scholarly re-creation of 18th-century theater practice, he seems to be taking a look through modern eyes, at the baroque genius for elaborate spectacle. At times he is literally suggests early stage machinery, as in the constantly rolling waves in the scene of the "Turc généreux," but in any case the baroque spirit is always present. Even the raising of the curtain is a coup de théâtre — instead of rising into the flies, the skirt of the curtain is pulled up into the auditorium so that it becomes a canopy evoking a stary night.

Period dance, too, has benefited from research in recent years, and René Gollard's choreography succeeds in giving the impression of authenticity, with fast-moving steps kept close to the ground and

no trace of a romantic yearning for the stratosphere.

Aside from the sheer sound of the baroque orchestra, with its lively brass and woodwinds, much of the musical pleasure in this production came from Herreweghe's lively handling of the important dance episodes; elsewhere, however, the conductor was somewhat soft-edged, making Rameau seem a less muscular and dramatic composer than he really is.

Vocally, there were no real weaknesses, but the result was stylistically mixed; the large cast was drawn from different sources and there probably was not enough time to impart real unity of style. Nor, in the nature of things, does stylistic sensitivity always come in the same package with vocal authority or stage presence.

Gregory Reinhart brought both style and vocal strength to the roles of Bellone in the prologue and Huascar in the Inca scene, as did Véronique Dietschy (Hébé, Zina). Anne-Marie Rodde in the Italian air of the "Fête Persane," Gérard Carino (Don Carlos), and John Rath (Don Alvar), Sandra Browne brought a rich voice and plenty of presence to her roles (Phani, Atalide), but sang as if she were in a different line of work than her colleagues. Maria Fausta Gallamini (L'Amour, Fatime), Robert Dean (Osman), Zeger Vandersteene (Valère, Damon), Jon Garrison

(Tacmas), Francoise Deston (Roxane) and Tibère Rd (Adario) completed the cast.

Remaining Paris performances of this production are June 1 and 4 (and, on June 6, a co-performance of "Hippolyte et Aricie"), after which it is scheduled to be seen in Dijon (birthplace of the composer) June 13 and 14, in Venice, June 24, 25 and 26.

Among other new stage productions coming in the Rameau tricenary are "La Guirlande," 8-bourg Festival (June); "Hippolyte et Aricie," Aix-en-Provence (July); "Pygmalion" and "Les Indes Galantes" with the Festival de Paris and on tour (8-nine July); "Platée," English Festival production, Vers (September), London, Oxford (October). "Pygmalion," "Les Indes Galantes" and "Hippolyte et Aricie" are scheduled for transmission on French television in the fall.

Special celebrations on the composer's birth date, Sept. 25, scheduled in Versailles and D preceded in the latter city a four-day musicalological conference on the composer and his works.

In addition, the French state among the supporters of a five American project for a complete critical edition of Rameau's works which is expected to take a decade and comprise about 40 volumes.

## Archery Triumphs

By Bernard Melinsky  
Reuters

THIMPHU, Bhutan — The chief justice takes careful aim and shoots into the air. This is not the Bhutanese way of enforcing law and order, but a bit of target practice in archery, the national sport of this predominantly Buddhist kingdom, separated from Tibet by the great Himalayan range.

Its capital, Thimphu, is located in a valley at an altitude of about 8,000 feet (2,400 meters), which can leave the visitor as breathless as the surrounding scenery. In the national stadium here, Chief Justice Pajdor Dorji is training for one of the most important sporting events of the year: a memorial trophy tournament in memory of the late king.

Dorji will be a member of the palace team, which is expected to do well against teams from government ministries, the army, the chamber of commerce and nearby areas. He shoots upward because the arrow has to curve a lengthy parabola to reach the target 160 yards (145 meters) away.

The sight of an archery tournament in progress — men wearing the traditional robe folded at the waist with a sash and leaving the knees bare — reinforces a superficial view of Thimphu as a medieval royal capital. But the city has been growing

over the past few years. Imports, mostly from Japan, come down the streets and the local cinema shows Hindi and English Western movies. Piped music of the coffee shops that serve puccinos and locally distilled whisky.

Thimphu's population of 20,000 makes do with a news bulletin, a quarterly magazine and a three-weekly three-hour radio broadcast. Videocassettes are increasingly popular among elite. Residents say that crime is Chief Justice Dorji, interview his office in the supreme court, he deals with three to four murders a year.

Outside, litigants awaiting cases sit under a shelter containing a large prayer wheel. In the courtroom, a six-judge bench is hearing an assault case sent from a local court. There are lawyers in Bhutan, but litigants are allowed to let someone well-versed in the law speak for them in court. "A very rare sort of case," the cases are about land or inheritance. "This one was, in a round about way, about archery."

The aggrieved party alleged had been hit over the head with how during a challenge match between two villages, perhaps even serious sort of contest, in

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# Herald Tribune BUSINESS/FINANCE

MAY 31, 1983

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## COMMODITIES

By H.J. MAIDENBERG

### Options on NYSE Index Futures Provide Sort of 'Insurance Policy'

YORK — Chances are that the same investors who spend money to insure their homes, autos and other personal property seldom buying insurance on their investment portfolios.

If it's not a policy you can get from Aetna, Allstate or Prudential of insurance for one's stock investments can be secured for as little as 3 percent of each \$50,000 of portfolio value.

Insurance policy "comes in the form of options on the New York composite index futures. The system was explained by Thomas G. Grennan, vice president in charge of stock index trading at Shearson-American Express Inc.

At the moment, Mr. Grennan said, "one can buy a NYFE September put at \$3 and thus, in effect, insure a real or imaginary \$50,000 portfolio against a market correction for a premium of \$1,500, or 3 percent for three months."

A strategy is rather simple if one translates the market jargon. An investor can buy a put (a call) or sell a call (a put) on the NYFE September put would be an option on the underlying index futures, which is traded on the New York Stock Exchange (a part of the New York Stock Exchange), at the fixed price of 96 time up until mid-September.

### Investors can bet on a rise in the market for a modest outlay through call index options.

would be the right to buy the same futures contract under the same. Buying a put is the same as selling the market short, and is used by those seeking insurance against a decline in the value of their portfolios. Few options traders keep their contracts long enough to acquire the underlying futures contracts.

Mr. Grennan's example, it was based on the New York Stock Exchange composite index futures. The cost, or premium, required to it on the September option at a fixed, or strike, price of 96, was a share. But the \$3 actually represents a cost of \$1,500 per share because the value of each index option is calculated at 500 times index. Thus, the original \$3 premium would actually cost \$1,500 NYFE.

### Determining the Option's Value

Value of the option itself is also determined by multiplying the actual index figure by \$500. For example, the September NYFE futures upon which the option is based then stood at 97.25. This put in effect the value of the option was \$48,625.

Finally, the premium cost for insuring nearly \$50,000 worth of "against a market correction for about three months works out to 3 percent on the portfolio hedge can insure 100 percent of a portfolio depends on the makeup of the particular portfolio. And, of course, one need not own any stocks at all to use options to play the market. By the same token, an investor can bet on a rise in the market by buying call index options.

### Three Situations

case, the investor who insures a portfolio with the September 96 index options faces one of three situations:

1. If the Big Board composite index of some 1,500 stocks does rise from the level of 96 before the option expires in mid-September, the investor is out the \$1,500 premium less its value as a tax deduction.

2. If the Big Board index should rise above 96 within that same time frame, the value of the investor's portfolio will also rise. But the appreciation will be lessened by \$1,500 — the cost of which would be worthless except as a tax deduction.

3. If the market and the index do plunge, the odds are that the portfolio will also go down. But each point drop in the index (the strike price plus the \$3 premium) will return \$500 to the investor. This should offset much of the loss experienced on the actual portfolio.

decided to buy option puts as portfolio insurance, investors must decide which options to use and how many. Currently, there are three options that have no underlying futures and are settled in cash at the end of the month. These are the CBOE 100, traded on the Chicago Board Options Exchange, and the American Stock Exchange's 20-share Major Index. Two other options are based on underlying futures: the Standard & Poor's 500, which is traded on the Mercantile Exchange.

Mr. Grennan and other brokers run the portfolio through a "which matches the composition of the holdings with those of the index. Once the best fit has been determined, the number of puts required depends on the amount of insurance the investor wants to buy.

options are available on only a relative handful of stocks. The stock options market, the Chicago Board Options Exchange, lists 100 issues.

options, on the other hand, allow investors the opportunity to insure their entire portfolio against market declines.

The New York Times

## CURRENCY RATES

ank exchange rates for May 27/28, excluding bank service charges.

	\$	DM	FF	£	Yen	Sfr	Scd	DKr	Swk
100 \$	1.0000	3.3636	6.5595	0.7564	163.89	2.0361	136.48	16.483	136.48
100 DM	0.2973	1.0000	1.9364	0.2236	48.05	0.5936	0.3759	4.536	48.05
100 FF	0.1524	0.0516	1.0000	0.1463	33.33	0.4833	0.3093	3.636	33.33
100 £	1.3246	4.4364	6.9358	1.0000	206.47	2.6361	1.6667	20.476	206.47
100 Yen	0.0061	0.0208	0.0260	0.0048	1.0000	0.0246	0.0156	0.193	1.0000
100 Sfr	0.4953	0.1683	0.2078	0.0378	0.0406	1.0000	0.7207	8.756	0.0406
100 Scd	0.7337	0.2654	0.3256	0.0556	0.0593	1.3750	1.0000	12.363	0.0593
100 DKr	0.0603	0.0218	0.0271	0.0051	0.0054	0.1250	0.0800	1.0000	0.0054
100 Swk	0.0074	0.0254	0.0318	0.0061	0.0065	0.0156	0.0098	0.1200	0.0065

Dollar Values						
Currency	Per U.S.	Eqv.	Currency	Per U.S.	Eqv.	
Australian \$	1.2322	N.A.	Swedish krona	0.4778	Swiss franc	2.0361
Belgian franc	0.0483	N.A.	Japanese yen	0.0061	N.A.	N.A.
British pound	0.7564	N.A.	Korean dollar	0.0218	N.A.	N.A.
Canadian dollar	0.7564	N.A.	Malay, singap.	2.2154	Spanish peseta	166.67
French franc	6.5595	N.A.	Norw. krone	0.1366	Swed. krona	0.4778
German mark	0.4836	N.A.	Phil. peso	0.0251	Taiwan \$	35.96
Irish £	7.13	N.A.	Port. escudo	100:148	Thai baht	25.54
Italy L.	0.0899	N.A.	S. Afr. rand	3.6523	U.A.R. Egyptian \$	15.85
Neth. guilder	—	N.A.	—	—	—	—
Norw. krone	0.1366	N.A.	—	—	—	—
Spanish peseta	166.67	N.A.	—	—	—	—
Swed. krona	0.4778	N.A.	—	—	—	—
Swiss franc	2.0361	N.A.	—	—	—	—
West German mark	3.3636	N.A.	—	—	—	—
Yen	163.89	N.A.	—	—	—	—
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## INTEREST RATES

### currency Deposits

May 30

	1-Month	3-Month	6-Month	1-Year	2-Year	3-Year	4-Year	5-Year
U.S.	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
DM	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
FF	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
£	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Yen	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Sfr	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Scd	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
DKr	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Swk	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%

### Money Rates

	1-Month	3-Month	6-Month	1-Year	2-Year	3-Year	4-Year	5-Year
U.S.	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
DM	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
FF	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
£	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Yen	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Sfr	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Scd	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
DKr	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Swk	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%

### GOLD PRICES

	1-Month	3-Month	6-Month	1-Year	2-Year	3-Year	4-Year	5-Year
U.S.	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
DM	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
FF	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
£	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Yen	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Sfr	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Scd	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
DKr	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Swk	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%

## Dollar Resumes Its Surge

Reuters

LONDON — The dollar surged forward on European foreign exchange Monday, reaching another record against the French franc. In Frankfurt, the British pound finished trading at its highest point this year.

In Paris, the dollar was fixed at 7.5495 francs, beating the record of 7.5325 set last Friday, when it moved above 7.5 francs for the first time.

Dealers said the already-strong U.S. currency was further boosted by increased expectations that U.S. interest rates would remain high, making it even more attractive to investors.

The also said the Williamsburg summit of the Western industrialized nations had shown no sign of any serious move to curb the dollar's strength on world markets by intervention.

Dealers also said the United States had little room for interest-rate cuts following the news on Friday of a greater-than-expected rise in the basic U.S. money supply of \$2.1 billion. The increase followed a \$7 billion rise in the previous reporting week.

In Frankfurt, the dollar rose to its highest level for six months and the pound, strengthened by a growing belief in a Conservative victory in elections on June 9, closed at 4.036 Deutsche marks, its highest level since November last year.

The dollar closed at 2.5150 DM, just below the day's high, but still up from Friday's 2.5075 close. In Zurich, it finished the day at 2.0897 Swiss francs, a sharp increase on Friday's close of 2.0780.

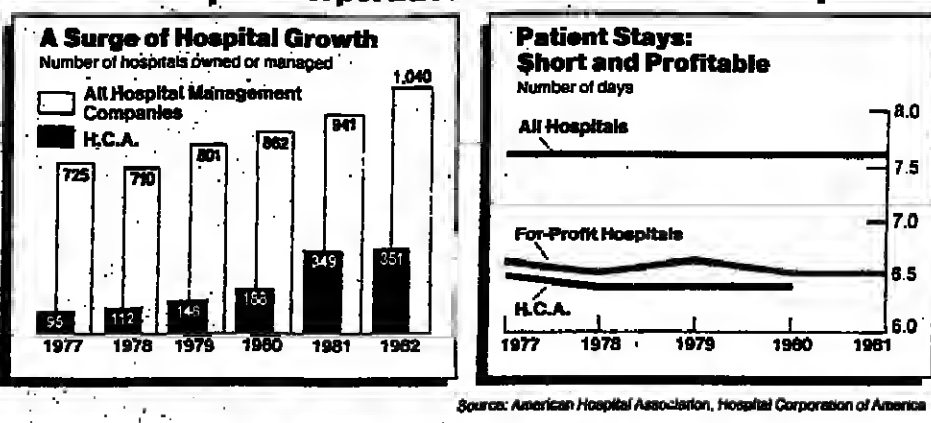
Financial markets were closed in Britain and the United States.

France, supported by Italy, has sharply criticized the high level of U.S. interest rates, which it said were attracting too much investment money to the United States and slowing economic recovery.

France asserts that every 10-cent rise in the dollar adds about two billion francs (\$365 million) to its annual trade deficit.

The Hong Kong dollar eased to 7.13 from the U.S. dollar from Friday's closing level of 7.07. In Tokyo, the U.S. dollar closed at 238.45 yen, its highest level since April 14, after opening at 237.95.

## How The Hospital Corporation of America Measures Up



## Growing Hospital Firms in U.S. Raise Profits and Ethical Issues

By N.R. Kleinfield

New York Times Service

WALTERBORO, South Carolina — This is a poor, sleepy, rural community of 6,100 people about 50 miles from Charleston, South Carolina. It was named for the Walters brothers, who migrated there in the late 1700s to escape the mosquitoes farther south. Getting sick, though, was what modern-day inhabitants dreaded most. That meant checking into the red-brick building over on Lemacks Street — the Colleton Regional Hospital, the only hospital in the county.

It was a dim affair. Rooms leaked when it rained. Plaster was peeling off the walls. Squads of roaches, mice and rats competed for space. Well-to-do denizens simply hopped in their cars and drove to Charleston and were healed there.

Then, in March 1982, a spiffy new 145-bed hospital opened its doors on Robertson Boulevard. Its proprietor is not the community, but Hospital Corp. of America, a for-profit company that rules the nation's largest hospital system.

The coming to town of HCA or one of its powerful rivals in the burgeoning hospital business — Humana, American Medical International, National Medical Enterprises or Lifemark — has been duplicated recently in a wide scattering of communities. Their arrival reflects a profound change in the delivery of health-care.

But a major test of corporate medicine, which could have an enormous impact on HCA, will come in October, when a new "prospective-payment" system of Medicare reimbursement begins to be phased in during a four-year period. Medicare now pays hospitals all reasonable costs. Under the new arrangement, the government will pay hospitals a flat fee set in advance for each patient with a particular illness. Then, if a hospital does a shoulder replacement, for instance, cheaper than the fixed rate, it will pocket the difference.

Such a change could greatly affect HCA's profit picture, since it derives about 41 percent of its patient revenues from the aged under Medicare. The for-profit, including HCA, favor the new incentive, contending they will now be able to show their stuff.

The phenomenon of the profit-making hospital chain has arisen on such a broad scale so swiftly that it is difficult to analyze.

Hospitals run for profit have, of course, existed for decades, even centuries, though they usually have been tiny, individually operated facilities owned by doctors. But in the late 1960s, hospital chains owned and operated by sizable corporations appeared for the first time. The major impetus was the passage of Medicare and Medicaid in 1965, which made health care lucrative to providers, interesting to investors. They have thrived ever since. Proprietary multi-hospital systems now own about 11 percent of the country's 5,900 community hospitals and 8.5 percent of their beds.

During the 1970s, these networks grew while the total number of hospitals fell slightly. More recently, the industry has begun to hunch into fewer and bigger chains. Some health-care experts predict that the profit-making chains could double in size during the 1980s and claim 20 percent of the industry.

The emergence of these sprawling corporate empires has showered undeniable gifts on many hamlets that have traditionally had a brutal time getting able medical care. But it has also stirred up debate about their effect on the ethos of medical treatment.

The for-profit systems argue that they can run a hospital efficiently and thus put a lid on skyrocketing health-care costs even while extracting a healthy profit. Their enormous reach into the capital markets enables them to construct facilities and buy advanced medical equipment that communities with empty tills cannot afford. At the same time, though, their tilt toward people who can pay to be mended and their avoidance of the utterly poor, on welfare or patient may be undercutting the assumption that everyone has a right to decent medical services.

Not surprisingly, HCA's president and chief executive officer, Thomas Frist Jr., disagrees. "People say we're going to skim the cream. That's a stupid public lie."

Back in the 1950s, his father, Thomas Frist Sr., was a cardiologist practicing in Nashville. Fed up with the

(Continued on Page 9, Col.3)

## Boeing's New Jet May Be Available As Early as 1988

By Axel Krause

International Herald Tribune

LE BOURGET, France — Boeing could have its version of a new 150-passenger airliner, known as the 7-7, available as early as 1988, Joseph Sutter, the company's executive vice president, said Monday.

Boeing has stated repeatedly that it believes that there is currently no market for the plane among airlines because of the recession, and company executives have often mentioned 1989 or the early 1990s as the likeliest date for its availability. Mr. Sutter, at the Paris Air Show, said the decision to move on the new plane would be determined by the market.

But other executives said Boeing could move relatively quickly, particularly in light of indications that Boeing's main competitor, Airbus Industrie, may announce orders for its version of the plane — the A-320 — within several months.

If Airbus succeeds in launching the A-320 program within the next six months, Mr. Sutter said, "We would show them what we are capable of doing." He said that competing with the A-320 could involve advanced versions of the 737 aircraft, "which we think could beat the Airbus" A-320, as well as the 7-7.

Another Boeing executive said the availability of the 7-7 depended on the progress of development of the engine.

In a related development, Pratt & Whitney executives said the engine it wants to develop for the 7-7, in a consortium with Rolls-Royce and other companies, is still awaiting approval of the boards of the companies and the governments involved.

Robert J. Carlson, who was recently named president of United Technologies and previously headed Pratt & Whitney, the company's engine-manufacturing division, said he hoped the U.S. Justice Department would approve a request for an antitrust clearance made May 19 by Pratt & Whitney to proceed with its partners in developing the engine.

The other partners are a consortium of three Japanese companies,

Italy's Fiat Aviazione and West Germany's MTU group.

The request is still under consideration, Mr. Carlson said. If it is approved, he said, the engine for the 7-7 would be available for delivery in December 1987.

Also at the air show, Jacques Benichou, the president of Socma, France's state-controlled engine company, said his company's CFM56-4 engine, made in cooperation with General Electric of the United States, was a highly advanced and less costly alternative to the Pratt & Whitney engine.

The Socma-GE engine is being developed for use in the A-320 and is to be ready for preliminary testing by the end of 1984. Mr. Benichou said the costs of developing the CFM56-4 were 15 to 20 percent less than developing a totally new engine for the 150-passenger plane, whose costs have been estimated at around \$1.5 billion.

Commenting on the Pratt & Whitney venture, a senior Socma official said, "It looks enormously costly — and difficult."

## Aluminum Pact Signed in U.S.

Reuters

NEW ORLEANS — The three largest U.S. aluminum producers signed a three-year labor contract with the United Steelworkers of America, union and company officials said Monday.

Negotiations with the Aluminum, Brick and Glass Workers' International Union continue. Contracts with both unions were to expire Tuesday at 12:01 a.m.

The new USW contract leaves base wage rates unchanged but provides for cost-of-living increases, the officials said. The USW contract covers about 26,000 employees of Aluminum Co. of America, Reynolds Metals and Kaiser Aluminum & Chemical.

## EC Farm Subsidies Seen Over Budget

Reuters

BRUSSELS — The European Community's spending on farm subsidies is expected to soar about \$1 billion over budget to about \$7.3 billion in the first half of 1983, officials said Monday.

The overspending follows a large buildup in the 10-nation trading bloc's stored supplies of butter and cereals and will force governments to pay out about \$1.8 billion extra in farm subsidies over the whole of this year, they said.

Based on advance payments made by governments, spending during the first six months of the year would be 8.1 billion European Currency Units (\$7.3 billion) compared with planned allocations of 7 billion ECU.

A steep increase in milk production has pushed up the Community's surplus butter stocks to about 460,000 metric tons, costing hundreds of millions of dollars to store.

The rapid increase in stocks prompted one specialist agricultural journal to warn Monday that "the agricultural budget is heading for shipwreck on the largest 'butterberg' in the history of the Common Agricultural Policy."

The officials said that the Community's warehouses were also bulging with surplus grain, with stocks expected to rise to around 11 million tons by the end of next month, double the level at the same time in 1982.

The European Commission, which controls the farm budget, plans to ask governments next month to allocate an extra 2 billion ECU on top of the 14 billion ECU already set aside for 1983.

Meanwhile, the officials said, commission budget experts are hoping the current wave of bad weather in Western Europe will hold down this year's agricultural output.

"We can just about afford the extra this year. But if it went on into 1984 we would be bankrupt," said one official.

## Matsushita Develops Tiny Color Television

The Associated Press

TOKYO — Matsushita Electric Industrial said Monday it had developed the world's smallest color television set, which can also serve as a portable video monitor.

The color Trivelvision has a 1.5-inch (3.75-centimeter) screen and weighs 1.34 pounds (600 grams), it said.







## BUSINESS BRIEFS

### De Benedetti Says Olivetti Seeks Substantial Cut in French Stake

IVREA, Italy (Reuters) — Olivetti has told the French Industry Ministry it wants a substantial reduction in a 33 percent French stake in the company as well as the option to buy back shares, Carlo De Benedetti, managing director, said Monday.

France's Saint-Gobain acquired the interest in Olivetti's controlling syndicate in 1980. Saint-Gobain was subsequently nationalized and is living itself of its interests in electronic data processing, CIT-Alcatel, another French nationalized company, has been instructed by the French Industry Ministry to negotiate with Olivetti the possibility of taking over Saint-Gobain's stake and talks have been under way for several months.

Mr. De Benedetti told the company's shareholders meeting that the request was part of a series of conditions under which Olivetti was prepared to allow a continued French stake in the company. He said he hoped an agreement could be concluded in the next few months.

### Japan Air Lines Reports Big Loss

TOKYO (Reuters) — Japan Air Lines, which is nearly 40 percent government-owned, said Monday it lost 3.82 billion yen (\$16 million) in the year ended March 31.

Shareholders were told they could not expect a dividend. A company spokesman said the airline had a difficult time coping with the weakness of the yen and had to turn to special reserves and sell seven aircraft to avoid an even greater loss.

In the previous year it recorded a 5.54-billion yen profit and hoped to return to that position in the current year.

### Vought Signs Europe Missile Pact

DALLAS (UPI) — LTV Corp. announced at the Paris Air Show that its Vought aerospace subsidiary has signed an agreement with three European firms for international marketing of Vought's Improved Lance missile.

The agreement, with West Germany's BPD Delfia Spezial, of Italy and the Royal Ordnance Factories of Britain, calls for evaluation of the European market and a preliminary production analysis to assess the economics of European production, a Vought spokesman said.

The company said the Improved Lance offers better range and accuracy, a bigger payload and lower unit cost than the Lance battlefield missile deployed by the United States and five other NATO countries.

### Grace Backs Myer Takeover Offer

SYDNEY (Reuters) — Directors of the Sydney retailer, Grace Bros. Holdings, said Monday they unanimously recommended that shareholders accept a takeover offer by Myer Emporium and reject a rival offer by Bond Corp. Holdings.

The Myer offer is 3.65 Australian dollars for each Grace share and convertible note. Alternatively, shareholders may accept 20 dollars plus eleven 14 percent convertible misecured notes or eleven 12.75 percent preference shares for every 10 shares or notes.

Bond is offering a 4.50-dollar three-year preference share with an annual dividend of 36 cents for each Grace share and note. Myer currently holds 19.72 percent of Grace and Bond 17.86 percent.

### Rank Offers Shares in Cerebos

LONDON (Reuters) — Rank Hovis McDougall said Monday it is offering 25 percent of the share capital of its Cerebos Pacific subsidiary for sale in Singapore to raise the equivalent of £10.1 million (\$16.14 million) before expenses.

The offer is underwritten by Morgan Grenfell (Asia) and Kim Eng Securities, Rank said. The surplus over net book value on the sale of the shares will be about £7.6 million and will be credited to extraordinary items after tax in Rank's accounts for 1982-83, it said.

Cerebos Pacific is the holding company for Rank's trading subsidiaries and associated companies in the Far East and Australasia. It has forecast a profit after tax equivalent to £3.74 million for the year ending July 31, 1983. Rank said proceeds from the sale will be used to strengthen the financial resources of the group for expansion in the region.

## OPEC Price Seems to Be Holding Despite Reports of Iran Discounts

By David B. Ottaway

WASHINGTON Post Service

RIYADH — Contrary to most expectations, the \$29-a-barrel price for crude oil set in March by the Organization of Petroleum Exporting Countries appears to be holding, mainly because Saudi Arabia has continued to keep down its production and Iran has adhered to the agreement.

But summer is the softest time for oil sales, and some analysts say the market could still be upset, even by Iran alone. Iran, a bitter political foe of Saudi Arabia that in the past has offered discounts to undermine the Saudis' share of the market and domination of OPEC, has been having trouble selling its oil and may yet be tempted to slash prices, thereby triggering a price war.

U.S. Treasury Secretary Donald T. Regan recently warned that the situation remains "precarious" and said that another drop in world prices could provoke a "second wave" of financial crises for such oil-producing countries as Nigeria, Mexico, Venezuela, Indonesia and possibly even Britain.

OPEC, comprising 13 of the world's largest producers, cut its official price by \$5 in March amid much doubting by oil analysts that it would be enough to halt the slide threatening many oil producers with financial catastrophe.

Officials of the oil-producing Arab states of the Gulf, however, are expressing some optimism that the price will hold without a mid-year cut many of them anticipated.

Last week, the Kuwaiti oil minister, Ali Khalifa, spoke of a "marked improvement" in the oil market and said "things are now much better than were originally expected."

Similar statements came from the United Arab Emirates oil minister, Mansour bin Zayed, and the Saudi deputy oil minister, Fahd Khayyal, who announced that Saudi Arabia's oil production was running at more than 4 million barrels a day.

That was the strongest indication that the demand for oil may be picking up: two months ago, the Saudis were producing about 3 million barrels a day, or possibly less, compared with more than 10 million barrels two years ago.

Other signs of improvement include Egypt's announcement May 19 of a 25-cent increase in the price of its two top grade oils, an increase in Nigeria's production from 673,000 barrels a day to about 1.3 million barrels in mid-May and an overall increase since February in OPEC production by 1 million barrels to 15.2 million barrels a day, according to the estimates of the respected Petroleum Intelligence Weekly.

Under the March agreement, reached after two weeks of wrangling, OPEC members agreed to a production ceiling of 17.5 million barrels of crude a day and set a quota for each country, with Saudi Arabia called upon to play the role of "swing" producer.

That meant Saudi Arabia would increase or decrease its production by whatever amount necessary to keep the market tight and thus defend the \$29 price for a barrel of

## OPEC, West Meet on Aid

Reuters

VIENNA — A two-day meeting of OPEC and Western aid agencies and commercial banks opened in Vienna Monday to discuss assistance to the Third World, the OPEC Fund for International Development said.

The Vienna-based fund, the main aid agency of the Organization of Petroleum Exporting Countries, is sponsoring the meeting, which has been held annually since 1978 in Paris. The participants will examine the possibility of increasing commercial bank involvement in project-financing in developing countries in cooperation with the aid agencies.

Organizations such as the World Bank and the International Monetary Fund have called recently for continued involvement of commercial banks in the Third World, despite the debt problems of many developing countries.

Production in Indonesia

Indonesia expects to resume its peak oil production of 1.6 million barrels of crude per day by 1985 and hopes that the current oil price of \$29 per barrel will hold until the end of the year, Energy Minister Subroto said Monday.

Mr. Subroto said, "By 1985, the world economy would have recovered from the current recession and the energy demand will peak again, with Indonesia's production expected to be back to its level of 1.6 million barrels per day," United Press International reported from Jakarta.

## Hospital Firms Boom, Raise Ethical Issues

(Continued from Page 7)

...sary state of local hospitals, he founded a 50-bed facility called Park View Hospital. By the early 1960s, unable to raise money to expand, he and fellow doctors went the for-profit route. In time, several Tennessee hospitals asked the senior Mr. Frist for help and he saw the advantage of stringing hospitals together.

In 1968, joined by his son, serving as a U.S. Air Force surgeon, and by Jack Massey, a long-time patient of Mr. Frist, who had developed the Kentucky Fried Chicken restaurant chain, the senior Mr. Frist founded HCA. Within six months, 11 hospitals came under its control.

HCA now owns or manages a serpentine trail of 364 hospitals boasting 52,134 beds, almost quadruple the network run by American Medical International, its closest competitor.

Everything about HCA seems to keep getting bigger. Its revenue last year topped \$3.5 billion, and it turned a profit of \$171.9 million, a 55 percent improvement from 1981. HCA's stock could be bought for less than \$7 in 1978; now it costs about \$50. Numbers like these have helped the company attract a following among health-care analysts who see it as one of the best-managed of the hospital empires.

Drawing analogies between for-profit and nonprofit hospitals is no simple exercise. Two years ago, the consulting firm of Lewin & Associates published an often-cited study of 53 pairs of similar for-profit and nonprofit hospitals in three states. Based on 1978 data and not meant to speak truths for the entire country, the study concluded that the for-profits charged 17 percent more per admission than voluntary hospitals.

It also found that, for Medicare and Medicaid payers, costs were 8 percent higher at the for-profits. While the matched pairs varied little in charges for routine things such as bed and board, the study reported the for-profits sharply marked up ancillary services, such as drugs and supplies. Although Lewin felt that the for-profits were more efficient in areas such as housekeeping, it found they demonstrated no edge in many other areas.

HCA said the study was flawed. While the younger Mr. Frist agreed that it will often cost more per day to get rid of a hangnail or have a baby at an HCA hospital, he says the total bill is cheaper. HCA gets the sick back on their feet faster, he said.

There is no mistaking the health value of the dollars that an HCA has to put to work.

"Whether someone likes them or dislikes them for being publicly owned and profitable," says Peter Fristauf, the editorial director of Surgical Care Publications and a long-time observer of the medical scene, "the bottom line has to be, do they provide high-quality health care. And the answer, by and large, has to be yes."

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## Dome Mines Chief Quits in Dispute

NEW YORK Times Service

TORONTO — Malcolm A. Teschereau, a prominent figure in the Canadian gold-mining industry, has resigned as president and chief executive officer of Dome Mines Group following a split about policy with the company's board.

A brief statement issued by the company Friday said only that directors had accepted Mr. Teschereau's resignation "as a result of policy differences." It did not elaborate on what the policy differences might be or on who might succeed him.

Mr. Teschereau, reached by telephone at his Toronto home Sunday, declined to comment on the split. A well-known executive who was paid 222,500 Canadian dollars (\$180,225) last year, he had been president of Dome Mines since 1978 and had been with the group for 30 years.

The company has been harmed in recent months by its ties to Dome Petroleum Ltd., the troubled oil and gas concern. Dome Mines holds a 26.7 percent stake in Dome Petroleum and Dome Petroleum, in turn, owns 39.6 percent of Dome Mines.

Dome Mines had a 74.6-million-dollar loss in 1982, compared with a profit of 91.4 million dollars, or 131 dollars a share, a year earlier. The share of Dome Petroleum's losses attributable to Dome Mines last year was 110.4 million dollars, compared with an attributable profit of 48.3 million dollars in 1981.

Dome Petroleum, which is negotiating a 1-billion-dollar rescue package with the Canadian government, said in a filing with the U.S. Securities and Exchange Commission last year that it was considering selling a substantial part of its holdings in the mining concern.

Mr. Teschereau's resignation is to take effect June 15. He is also stepping down as chairman of two Dome subsidiaries, Campbell Red Lake Mines Ltd. and Sigma Mines (Quebec) Ltd., but will continue as a director and consultant to Dome Mines.

Dome Petroleum Ltd. will repay 100 million dollars, plus interest, to Dome Canada Ltd. by the end of this year as part of a planned restructuring of about 7 billion dollars in debt, Dome Canada's chairman told shareholders at the company's annual meeting in Calgary, Alberta, last week.

J.P. Gallagher, who is chairman of both Dome companies, said the petroleum concern would try to raise new capital from existing shareholders, but that no equity issue was planned in connection with the refinancing. Dome Petroleum holds a 48 percent stake in Dome Canada.

## Germany's Merchant Bank stays on course in 1982.

### Highlights from BHF-BANK's Annual Report 1982

Consolidated Figures	in million DM
Loans to customers	13,458
Total deposits	12,178
Bonds issued	7,268
Shareholders' equity and reserves	573
Total assets	21,106

The complete Annual Report in German and summarized Annual Reports in English, French and Spanish are available on request.

Managing Partners:  
Dr. Wolfgang Graebner, Dr. Hans C. Schroeder-Hohenwarth, Wolfgang Strutz, Klaus Subjatzki, Rüdiger v. Tresckow.

BHF-BANK, Germany's Merchant Bank, achieved good results in 1982 despite extensive risk provisions and significant loan write-offs during a year buffeted by economic uncertainties worldwide.

Improvements in earnings took precedence over growth in total assets and interest surplus advanced by 27.9 %. In line with the Bank's long-term strategy to strengthen its fee-income business, the structure as a full-service merchant bank contributed to a substantial increase in commissions by 15.1%.

International operations, particularly underwriting and brokerage activities, expanded quite considerably, while country lending was kept within reasonable limits spread over a broad geographical area. Main foreign lending was to corporate clients in industrialized nations with emphasis on short-term facilities.

The Bank also expanded its participations in specialized areas, including the formation of a subsidiary for mergers and acquisitions on an international scale. Its global presence was further extended through a branch in Tokyo which commenced operations in spring 1983.

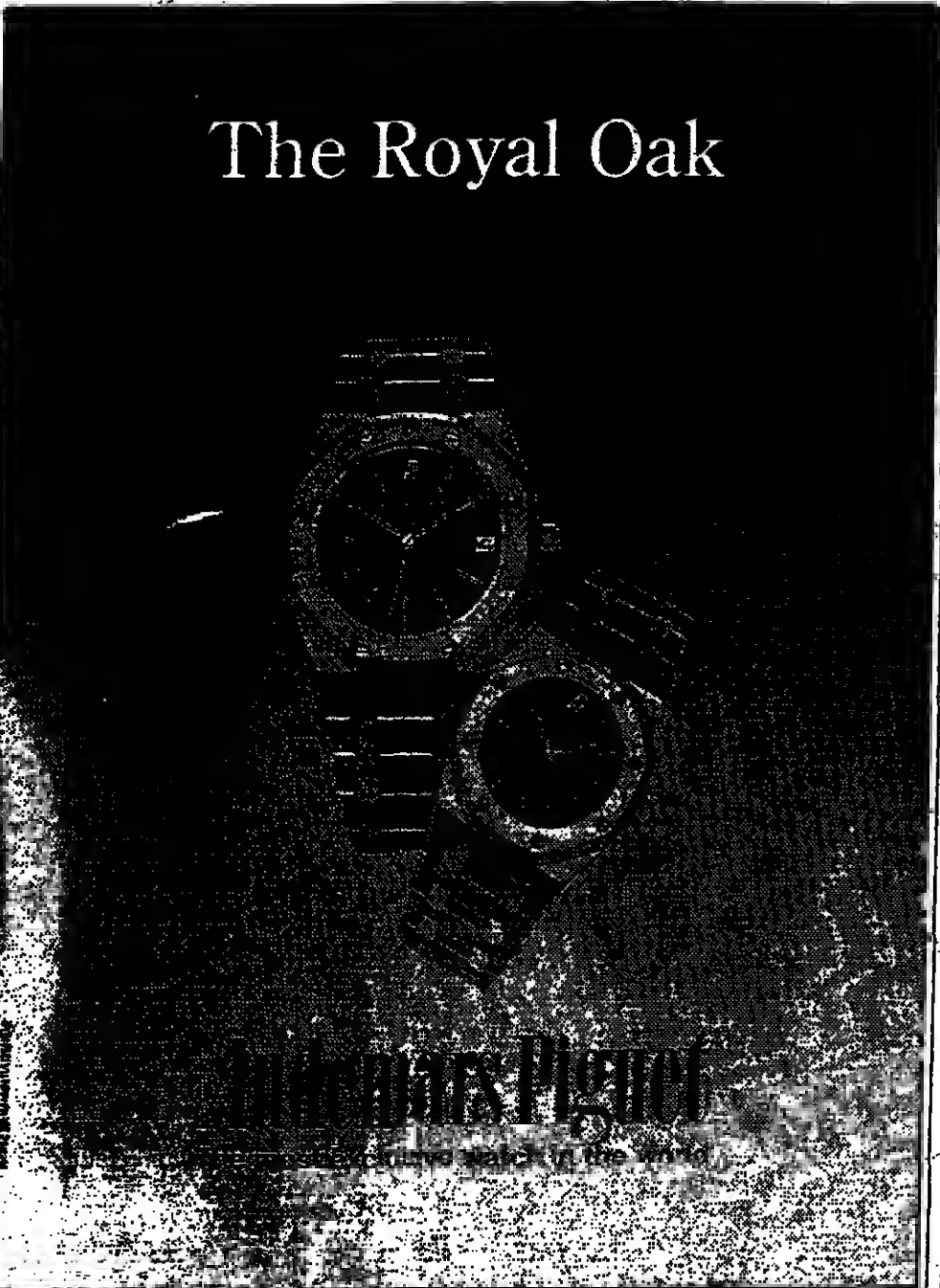
BHF-BANK International in Luxembourg and the Group's subsidiary in mortgage lending also contributed to the satisfactory results.

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